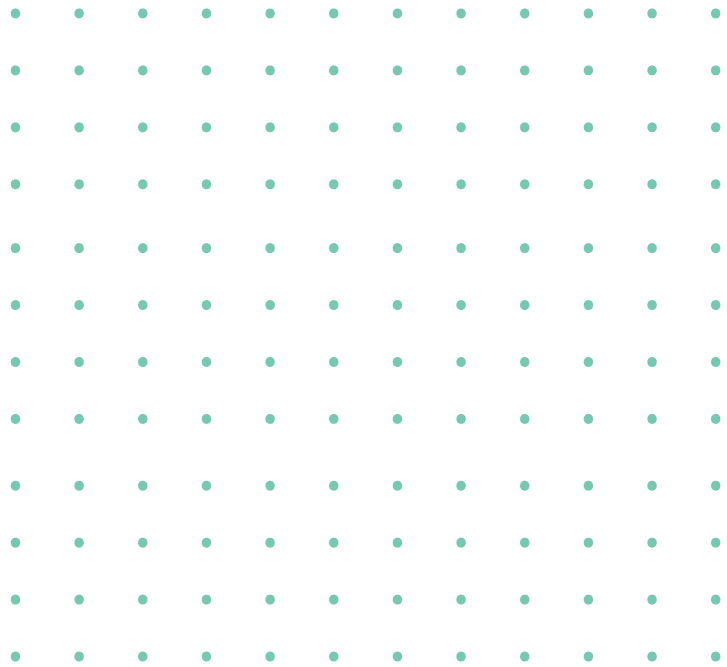




FINANCIAL
STATEMENTS
2020



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ANNUAL FINANCIAL
STATEMENTS
EXANE SA



ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEET

Financial year ended 31 December 2020

Assets (in thousands of euros)	Note	31/12/20	31/12/19
Cash and amounts due from central banks and post office banks		84,530	84,495
Financial assets at fair value through profit or loss	5.1	2,887,562	4,172,254
Loans and receivables due from credit institutions (at amortised cost)	5.2	531,719	552,115
Current and deferred tax assets	5.3	73,539	62,282
Accrued income and other assets	5.4	1,103,451	932,372
Property, plant and equipment	5.5	45,188	45,543
Intangible assets	5.5	5,801	8,341
Total assets		4,731,790	5,857,402

Liabilities and equity (in thousands of euros)	Note	31/12/20	31/12/19
Financial liabilities at fair value through profit or loss	5.1	2,910,281	3,268,631
Due to credit institutions (at amortised cost)	5.2	500,456	1,280,126
Current and deferred tax liabilities	5.3	24,187	19,469
Accrued expenses and other liabilities	5.4	865,730	876,175
Provisions	5.6	44,013	46,576
Total liabilities		4,344,667	5,490,977
Share capital and additional paid-in capital		40,690	40,690
Retained earnings		312,970	290,978
Change in assets and liabilities recognised directly in equity		(3,643)	(2,375)
Net income for the period		19,548	21,972
Total shareholders' equity	5.7	369,565	351,265
Minority interests		17,558	15,160
Total equity		387,123	366,425
Total liabilities and equity		4,731,790	5,857,402

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Financial year ended 31 December 2020

(in thousands of euros)	Note	31/12/20	31/12/19
Interest income	6.1	14,252	54,758
Interest expenses	6.1	(14,382)	(23,485)
Commission income	6.2	328,734	281,233
Commission expenses	6.2	(80,488)	(73,973)
Net gain/loss on financial instruments at fair value through profit or loss	6.3	53,569	55,938
Income from other activities	6.4	49,327	52,746
Expenses on other activities	6.4	(1,092)	(864)
Net banking income		349,920	346,352
Operating expenses	6.5	(298,757)	(291,220)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	6.6	(15,860)	(17,635)
Gross operating income		35,303	37,497
Pre-tax income		35,303	37,497
Corporate income tax	6.7	(10,631)	(11,518)
Consolidated net income		24,672	25,979
Minority interests		(5,124)	(4,008)
Net income - Group share		19,548	21,972
Basic earnings per share (euros)		108.28	121.70

STATEMENT OF NET INCOME AND CHANGES IN ASSETS AND LIABILITIES RECOGNISED DIRECTLY IN EQUITY

Financial year ended 31 December 2020

(in thousands of euros)	31/12/20	31/12/19
Net income attributable to equity shareholders (1)	19,548	21,972
Changes in value of employee benefit obligations	(1,151)	(406)
Profit and loss generated by sale of consolidated shares without loss of control	(117)	76
Other changes in shareholders' equity	20	(47)
Total gain/loss directly in equity and attributable to equity shareholders (2)	(1,248)	(377)
Net income and gain/loss directly in equity, attributable to equity shareholders	23,424	25,979
Net income and gain/loss directly in equity, minority interests	(5,124)	(4,008)
Total net income and gain/loss recognised directly in equity (1+2)	18,300	21,595

Amounts are displayed net of tax.

CASH-FLOW STATEMENT

Financial year ended 31 December 2020

(in thousands of euros)	31/12/20	31/12/19
Operating activities		
Pre-tax net income	35,303	37,497
Non-monetary items included in pre-tax net income and other adjustments	13,645	29,336
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	15,860	17,635
Net addition to provisions	(2,563)	11,815
Net income or loss from financing activities	348	(114)
Net increase/decrease in cash related to assets and liabilities generated by operating activities	730,046	(1,037,594)
Net increase/decrease in cash related to transactions with credit institutions	37,250	(25,759)
Net increase/decrease in cash related to transactions with customers	(149,061)	84,975
Net increase/decrease in cash related to transactions involving other financial assets and liabilities	926,342	(1,140,762)
Net increase/decrease in cash related to transactions involving non-financial assets and liabilities	(73,854)	55,469
Taxes paid	(10,631)	(11,518)
Net increase/decrease in cash and equivalents generated by operating activities (a)	778,994	(970,761)
Investing activities		
Net increase/decrease related to property, plant and equipment and intangible assets	(12,965)	(50,416)
Net increase/decrease in cash and equivalents generated by investing activities (b)	(12,965)	(50,416)
Financing activities		
Net increase/decrease in cash and equivalents related to transactions with shareholders	(6,372)	(34,493)
Net increase/decrease in cash and equivalents generated by other financing activities	0	0
Net increase/decrease in cash and equivalents generated by financing activities (c)	(6,372)	(34,493)
Net increase/decrease in cash and equivalents (a+b+c)	759,657	(1,055,670)
Balance of cash and equivalent accounts at the beginning of the period		
Cash and amounts due from central banks and post office banks (d)	84,495	11
Demand deposits/loans with/from credit institutions (e)	(727,647)	412,507
Balance of cash and equivalent accounts at the end of the period		
Cash and amounts due from central banks and post office banks (f)	84,528	84,495
Demand deposits/loans with/from credit institutions (g)	31,977	(727,647)
Net increase/decrease in cash and equivalents (f+g)-(d+e)	759,657	(1,055,670)

CHANGES IN SHAREHOLDERS' EQUITY

From 1 January 2019 to 31 December 2020

	Capital and retained earnings		Retained earnings - Group share	Total gain/loss recognised directly in equity	Net income - Group share	Total equity - Group share	Total equity - Minority interests	Total shareholders' equity
	Capital	Share premiums and retained earnings						
(in thousands of euros)								
Capital and retained earnings at 1 January 2019	30,693	9,997	291,005	(2,046)	30,130	359,779	15,713	375,492
Appropriation of net income for 2018			30,130		(30,130)			
Dividends paid			(30,109)			(30,109)	(5,076)	(35,185)
Movements related to shareholders' items			21		(30,130)	(30,109)	(5,076)	(35,185)
2019 net income					21,972	21,972	4,008	25,980
Changes in minority interests							477	477
Actuarial gains and losses related to defined pension plans				(406)		(406)		(406)
Other movements			(48)	77		29	38	67
Capital and retained earnings at 31 December 2019	30,693	9,997	290,978	(2,375)	21,972	351,265	15,160	366,425
Appropriation of net income for 2019			21,972		(21,972)			
Dividends paid							(1,911)	(1,911)
Movements related to shareholders' items			21,972		(21,972)		(1,911)	(1,911)
2020 net income					19,548	19,548	5,124	24,672
Changes in minority interests				(117)		(117)	(811)	(928)
Actuarial gains and losses related to defined pension plans				(1,151)		(1,151)		(1,151)
Other movements			20			20	(4)	16
Capital and retained earnings at 31 December 2020	30,693	9,997	312,970	(3,643)	19,548	369,565	17,558	387,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended 31 December 2020

The consolidated financial statements are those of the entities described in note 2.4.4, and hereafter referred to as “the Exane Group”.

1. PROFILE

Founded in 1990, the Exane Group specialises in three businesses:

• Cash Equities

Under the brand name Exane BNP Paribas, the Cash Equities Department offers all services of Research, sales, execution and Equity Capital Market on European equities for institutional and corporate clients.

• Derivatives

Exane Derivatives, a subsidiary of Exane, specialises in:

- the sale and market making of listed derivatives, convertible bonds and credit products,
- the issuance, trading and management of structured products,
- the brokerage of listed derivatives products.

• Asset Management

Exane Asset Management (EAM), a subsidiary of Exane and authorised in France by the AMF, offers the Group’s third-party fund management on underlying equities.

Ellipsis Asset Management (Ellipsis AM), a subsidiary of Exane SA, authorised in France by the AMF, offers third-party asset management on convertible, credit and diversified funds.

Ixios Asset Management (Ixios AM), a subsidiary of Exane Derivatives, authorised in France by the AMF, offers third-party asset management on thematic funds.

Exane is a “société anonyme” (stock corporation) with a capital of 30,691,800 euros. Its Trade and Company Registry is Paris 342 040 268. It is represented by Nicolas Chanut, CEO of the Board of Directors. The Company’s registered office is located at 6, rue Ménars, 75002 Paris.

The consolidated financial statements of the firms that constitute the Group (hereafter referred to as the Consolidated Financial Statements), were approved by the Board of Directors on 10 March 2021.

Evolution of the Group in 2020

The year 2020 was marked by an unprecedented environment and market effects linked to the Covid-19 epidemic. The economic situation in this ongoing epidemic environment still remains uncertain. The Group, as well as each Group company, has taken all appropriate measures to ensure the continuity of its activities.

Post-closing events

Since the Board of Directors' meeting held on 10 March 2021, an exclusive negotiation agreement was signed with BNP Paribas SA relating to a proposed acquisition by BNP Paribas SA of 100% of the shares of Verner Investissements (Exane's controlling holding company).

The completion of this transaction, which is subject to the consultation process with Employees Representatives Bodies, the approval of Verner Investissements' shareholders and the relevant regulatory administrative authorisations, is expected to take several months.

This transaction has no impact on the accounts as at 31 December 2020.

2. ACCOUNTING PRINCIPLES AND METHODS

The main accounting methods applied when preparing the consolidated financial statements are described hereafter. Unless otherwise indicated, they have been applied in a consistent manner, in respect of all the financial statements presented in this document.

2.1. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statements have been prepared in accordance with IAS/IFRS rules and interpretations issued by IFRIC, as adopted for the use in the European Union and applicable at 31 December 2020.

The Group has not anticipated the application of new standards, amendments adopted by the European Union (EU) when the application in 2020 is optional.

Applicable accounting standards:

- IFRS 9 Financial instruments,
- IFRS 15 Revenue from contracts with customers,
- IFRS 16 Leases.

The implementation of these accounting standards has no significant impact on the Group's financial statements.

→ IFRS 9 Financial Instruments

The impact of IFRS 9 on the consolidated financial statements as at 31 December 2020 is as follows:

• Classification and measurement

Financial assets at fair value through profit or loss under IAS 39 remain in this category under IFRS 9.

Shares in internal funds previously at fair value per option as well as shares in external funds previously classified as AFS are now recorded under IFRS 9 at fair value through profit and loss.

Loans and receivables, amounts due to credit institutions and security lending/borrowing transactions continue to be reported at amortised cost under IFRS 9.

Under IFRS 9, there is no change for financial liabilities at fair value through profit or loss by option without any own credit value adjustment.

The fair value of financial assets reported in other comprehensive income under IAS 39 is now recorded in fair value through profit or loss under IFRS 9. This accounting treatment is related to non-compliance with SPPI criteria of the financial assets concerned.

- **Impairment**

In accordance with IFRS 9, the simplified method has been applied to measure expected credit losses on trade receivables without impact for the Group. Moreover, under IFRS 9 provision and depreciation on eligible financial assets have no material impact for the Group.

- **Hedge accounting**

The hedge accounting requirements in IFRS 9 have no impact for the Group as there is no hedging relationship within the Group.

→ **IFRS 15 Revenue from contracts with customers**

IFRS 15 defines a single model for recognising revenue based on five-step principles. These five steps make it possible to identify distinct performance obligations included in the contracts and to allocate them a transaction price. The related revenue is recognised when the performance obligations are satisfied, which means when the control of the good or service has been transferred.

The price of a service may contain a variable component.

Variable amounts can only be recognised in profit and loss if it is likely that the amounts recorded will not give rise to a significant downward adjustment.

→ **IFRS 16 Leases**

IFRS 16 “Leases”, issued in January 2016, supersedes IAS 17 “Leases” and the interpretations related to the accounting of leases starting on 1 January 2019.

The Group has decided to use the retrospective simplified method that allows it not to review the financial information, and to register the right-of-use not from the inception of the leases but at the date of the first implementation of the regulation.

The Group has used the main simplification measures allowed by IFRS 16, in particular the non-recognition of a right-of-use asset for small value and short-term leases from first implementation. It has also applied the rules applicable to contracts identified as leases under IAS 17 and IFRIC 4.

The Exane Group has opted for a right-of-use asset equal to the amount of the rental debt.

The new definition of leases relies on both the identification of an asset and the right of use of the underlying asset by the lessee.

For the lessee, IFRS 16 requires the recognition in the balance sheet of all leases, based on a right of use over the underlying asset recorded under fixed assets, along with the recognition of a financial liability for the rent and the other payments made over the lease period. The right-of-use asset is amortised on a straight-line basis and the financial liabilities are amortised on an actuarial basis over the lease period.

The implementation of IFRS 16 results in an increase in the assets and liabilities related to the leases previously recorded as operating leases. For the Group, this impact will mainly come from property leases (offices, headquarters) in France and abroad.

The profit and loss account is impacted by the replacement of rents previously recorded on a straight-line basis in general operating expenses by an increase in the amortisation charges associated with the right-of-use asset and, to a lesser extent, an increase in interests charges relating to lease debts.

Actuarial rates applied to leases obligations are the marginal interest rates of loans on the residual duration of leases.

The impacts of IFRS 16 on the financial statements are presented under paragraph 5.5.

2.2. PRESENTATION OF FINANCIAL STATEMENTS

The Group uses the templates for financial statements recommended by the ANC (n°2017-24, 2 June 2017, balance sheet, income statement, statement of changes in shareholders' equity, cash-flow statement).

The consolidated financial statements have been prepared on a historical cost basis, except in the case of "Financial instruments at fair value through profit or loss".

The financial statements are presented in euros and the amounts disclosed are rounded to the nearest thousand, unless otherwise indicated.

2.3. ACCOUNTING PRINCIPLES AND METHODS

Financial assets and liabilities comply with IFRS 9 as adopted by the European Commission (EC) on 22 November 2016.

The Group classifies its financial assets into the following categories: "assets at fair value through profit or loss", "assets measured at amortised cost (loans and receivables)" and "assets at fair value through other comprehensive income (OCI)". As at 31 December 2020, no financial assets were measured through OCI.

Classification and measurement of financial assets will depend on two criteria:

- The business model used to manage financial instruments,

The business model refers to how financial instruments are managed as a portfolio to generate cash flows. Business models are assessed on how a group of financial instruments is managed together to achieve a particular business objective. Under IFRS 9, three different business models shall be distinguished:

- "collecting contractual cash flows model" whose objective is to collect contractual cash flows,
- "collecting contractual cash flows and sales model" whose objective is achieved after both collecting contractual cash flows and selling financial assets,
- "other business models" for other financial assets which cannot be classified under the other models. They include trading activities in which the cash flows of financial assets will be realized by selling them. The perception of contractual flows of assets has only an accessory role in achieving the objective of the economic model.

- The contractual characteristics of the financial instruments,

Cash flow characteristic is consistent with amortised cost classification if contractual cash flows of financial asset are solely payment of principal and interest on the principal amount outstanding of basic debt or non-complex debt financial assets.

The Group classifies its financial liabilities into the following categories: "Liabilities at fair value through profit or loss" and "Liabilities measured at amortised cost (other liabilities)".

→ Financial assets at fair value through profit or loss

According to IFRS 9, financial assets at fair value through profit or loss are those held for trading and those held for investment in internal or external UCITS.

Financial assets under this classification must comply with these characteristics:

- Contractual cash flows that cannot be considered as basic debt financial assets (non-compliance with solely payment of principal and interest (SPPI criterion)),
- Contractual cash flows that comply with SPPI criterion, but financial assets are held within an “other business model”, including trading activities in which cash flows will result from selling financial assets.

Derivatives financial instruments are also deemed to be held for trading unless they are to be used for hedging purposes.

Financial assets at fair value through profit or loss are recognised at fair value at inception, except for transaction costs which are directly taken to the profit and loss account. At the financial year end, they are measured at fair value and changes in fair value are recognised in profit and loss.

→ Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss may be:

- financial liabilities issued for trading purposes, or
- financial liabilities measured at the fair value option.

Financial liabilities are recognised at their fair value when they are recorded in the balance sheet for the first time. Transaction costs are recorded directly in the profit and loss account. At the financial year end, they are recognised at their fair value and changes are recognised in the profit and loss account.

→ Financial assets and liabilities at amortised cost

Financial assets and liabilities under this classification must comply with two characteristics:

- Compliance with SPPI criterion,
- Compliance with the collecting contractual cash flows business model.

This classification mainly includes deposit paid on security borrowing and deposit received on security lending recorded under loans and receivables due from credit institutions and debt due to credit institutions.

2.3.1. SECURITIES AND LOANS AND RECEIVABLES

→ Security lending / borrowing transactions

Borrowed securities when collateralised by other securities are recorded specifically on the balance sheet as “Financial assets at fair value through profit or loss”. The related debt is recorded as a liability under “Financial liabilities at fair value through profit or loss”. These two sub-accounts of the trading portfolio are revalued at fair value at the end of the period.

There is no derecognition of the lent securities secured by cash collateral and no recognition of the borrowed securities secured by cash.

Securities borrowed and secured by cash collateral are booked as “Deposits paid or received on debt securities/ security borrowings” allocated to “Loans and receivables”. They are not valued at fair value at period end.

→ Loans and receivables

Loans and receivables are non-derivatives financial assets with determined or determinable payments not quoted on an active market, except those acquired with the intention of selling them in the short term which have to be classified in assets held for trading.

“Loans and receivables due from credit institutions” and “Loans and receivables due from customers” are recorded at acquisition cost equal to their fair value, including transaction fees, and thereafter recorded at amortised cost adjusted for any impairment.

→ Valuation

Variable-income and fixed-income securities (equities, UCITS shares and other variable-income and fixed-income securities) in the trading and seed money portfolio are valued:

- at the last known quoted price for securities traded on an active and liquid market at the balance sheet date,
- or, when no quotation is available, at a price determined with the use of a valuation model (based on observable or non-observable parameters).

→ Recording date

Accounting category	Recording date
Financial assets at fair value through profit or loss	Trade date
Repurchase agreements	Settlement/delivery date
Lent securities sales	Settlement/delivery date

→ Due to credit institutions and due to customers

Amounts due to credit institutions and to customers are recorded at their original fair value, including transaction fees. They are subsequently carried at amortised cost with global interest rate method.

→ Distinction between liabilities and shareholders' equity

A debt instrument, or a financial liability, is a contractual obligation to:

- deliver cash or another financial asset,
- trade instruments under potentially unfavourable conditions.

An equity instrument is a contract evidencing a residual interest in a company after deduction of all its liabilities (net assets).

Financial instruments issued by the Group are considered as equity instruments when the Group has no obligation to pay cash or to exchange a fixed number of its own shares for a fixed amount of cash.

The Group has not issued any hybrid financial instruments including both shareholders' equity and liability components.

2.3.2. DERIVATIVES

Derivatives instruments are financial instruments or other contracts with the following three characteristics:

- Their value changes according to the variation of an interest rate, the price of a financial instrument, the price of a commodity, an exchange rate, a price or rate index, a credit rating or index, or other specified variable called the “underlying”;

- They do not require any initial net investment or an initial net investment that is lower than would be required for other types of contracts that would be expected to behave similarly to changing market factors;
- Their settlement is at a future date.

Derivatives are recorded in the balance sheet at fair value at inception of the transaction. They are either held for trading purposes or used for hedging purposes.

At the financial year end, derivatives are measured at fair value and changes are recorded in the profit and loss account.

→ Valuation of financial instruments

Options

- Organised markets

Call or put premiums on options bought or sold on organised markets are booked separately in assets and liabilities on the balance sheet. At each balance sheet date, these instruments are measured at the last quoted price published by compensation firms or brokers. Valuation changes are recorded under income or expenses in the profit and loss account.

In order to cancel out the profit and loss impact of unexplained price discrepancies that may occur at market close, the difference between the last quoted price and the theoretical price of the instrument, which is calculated with the use of an internal model and uniform market parameters for all transactions, is recorded as an unrealised gain or loss. The price is submitted to the Group's Risk Management Department for formal approval.

- Over-the-counter markets

Premiums on OTC options are recognised separately in assets and liabilities on the balance sheet. Changes in the value of the options are recorded directly in the profit and loss account.

Financial instruments are priced based on internal models in the absence of organised markets. The price is submitted to the Group's Risk Management Department for formal approval.

Futures and forwards

- Organised markets

Positive and negative margins arising from settled or unsettled transactions carried out on futures markets are recognised in the profit and loss account.

In order to cancel out the profit and loss impact of unexplained price discrepancies that may occur at market close, the difference between the last quoted price and the theoretical price of the instrument, which is calculated with the use of an internal model and uniform market parameters for all transactions, is recorded as an unrealised gain or loss. The price is submitted to the Group's Risk Management Department for formal approval.

- Over-the-counter markets

Financial instruments are priced based on internal models in the absence of organised markets. The price is submitted to the formal approval of the Group's Risk Management Department.

→ Recognition of margins on structured financial instruments at inception

Under IFRS 9, margins on structured products and complex financial instruments may be recognised at inception only if these financial instruments can be reliably valued. This condition is met if these instruments are valued using prices in an active market or based on “standard” internal valuation models which refer to observable market data.

Some long-maturity or illiquid complex financial instruments, generally bespoke products, are valued with the use of internal models whose parameters are partly non-observable on reference markets.

When the valuation is based on non-observable data and/or non-standard models, the initial margin generated by the placement of these complex financial instruments is not considered fixed; it is then deferred and amortised to the profit and loss account generally over the period during which the market data is deemed to be non-observable.

2.3.3. ACCRUED INCOME / EXPENSES AND OTHER ASSETS / LIABILITIES

Settlement accounts related to market transactions are primarily composed of trading and settlement accounts that record, in euros and at the acquisition price, securities traded for financial counterparties, i.e. brokers, financial institutions and credit institutions, and whose settlement operations are still outstanding.

Purchase and sale accounts used to record euro-denominated transactions with the same counterparty, as well as current accounts, are offset. Purchase and sale accounts used to record foreign currency-denominated transactions with the same counterparty are offset separately.

These accounts are also used to record outstanding coupon/dividend payments with those counterparties.

2.3.4. PROVISIONS

A provision is recorded:

- if the Group has an implicit or legal obligation stemming from a past event;
- when the Group may be forced to use economic resources to settle this obligation;
- and when the amount of the provision can reliably be estimated.

The provisions recorded in liabilities on the balance sheet, except for those related to market activities, cover employee benefit obligations and litigations.

The amount set aside represents the best estimate of the expense needed to settle the obligation. In the absence of such an expense, the estimates are revalued when the effect is material.

2.3.5. RECOGNITION OF INCOME AND EXPENSES

→ Net interest margin

The Group includes in “Interest income” and “Interest expenses” all income and expenses from demand account, financial loans and borrowings, OTC collaterals, as well as deposits related to security lending/borrowing.

→ Net gain / loss on financial instruments at fair value through profit or loss

“Net gain/loss on financial instruments at fair value through profit or loss” includes profit and loss items related to financial instruments held for trading and financial instruments considered by the Group to be valuable at fair value through profit or loss.

At each balance sheet date, they are valued at fair value and the changes in fair value are displayed in the profit and loss account as well as variable-income security dividends and unrealised disposal gains and losses under “Net gain/loss on financial instruments at fair value through profit or loss” in the profit and loss account.

2.3.6. USE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

→ Tangible assets

Property, plant and equipment are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service. After the initial recognition, property, plant and equipment are carried at acquisition cost minus depreciation expenses and contingent impairments.

Maintenance fees are recorded in the profit and loss account of the period in which they are incurred. Expenses increasing the future economic benefits related to tangible assets are capitalised and amortised.

Operating property, plant and equipment are used with a view to producing services or for administrative purposes.

The table below shows the different amortisation methods applied by the Group as well as the useful life of the assets at 31 December 2020.

Type of assets	Provisions for impairment - Type and period
Software	Straight line 3 to 8 years
IT and electronics	Straight line 3 years
Telephony systems	Straight line 5 years
Office furniture	Straight line 5 years/lease term
Fixtures	Straight line 5 years/lease term

→ Software

Costs arising from the acquisition of software licences are recognised as an asset on the basis of costs incurred to acquire and bring into service. These costs are amortised on the basis of the estimated useful life of the software.

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

Software maintenance costs are expensed as incurred.

However, expenditure that is regarded as upgrading the software or extending its useful life is included in the initial acquisition or production cost.

2.3.7. LEASES

The Group companies have entered into leases.

Except for contracts with a duration of 12 months or less and for small value contracts, leases entered by the Group are recorded in the balance sheet under assets as rights-of-use and under liabilities as financial debt relating to rent and other related payments for the duration of the lease. The right-of-use asset is amortised on a straight-line basis and the financial liabilities are amortised on an actuarial basis over the term of the lease.

The main assumptions used for the valuation of the rights-of-use and of financial liabilities are as follows:

- lease terms correspond to the non-cancellable period of the lease contracts and, if applicable, renewal periods if it is reasonably certain that the options to renew the lease will be exercised;
- actuarial rates used to calculate the right-of-use and the financial liabilities are determined for each asset depending on the marginal debt ratio of the lessee at the effective date of the lease.

2.3.8. CURRENT AND DEFERRED TAXES

In accordance with IAS 12, income tax includes all taxes based on income, whether current or deferred.

IAS 12 defines current tax as “the amount of income taxes payable/recoverable in respect of the taxable profit/loss tax for a period”.

The current income tax charge is determined on the basis of the tax laws and tax rates in force in each country in which the Group operates.

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

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

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

Deferred taxes are recognised as tax income or expenses in the profit and loss account except for deferred taxes relating to unrealised gains or losses on available-for-sale assets, which are taken to shareholders' equity.

2.3.9. EMPLOYEE BENEFITS

The Group recognises the amount of its retirement benefits and other employee benefits in compliance with the rules defined by the IAS 19 revised standard.

→ Defined-contribution plans

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

→ Defined-benefit schemes: retirement benefits, pre-retirement benefits and retirement indemnities

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

For each period, the commitments related to these schemes are measured on the basis of actuarial, financial and demographic assumptions and by using the projected unit credit method. This method consists in allocating, for each year of work, an expense by employee corresponding to the vested rights.

The actuarial gains and losses resulting from change in assumptions and adjustments linked to the experience regarding post-employment benefits are recognised in other comprehensive income for the net of tax amount. They are never reclassified to profit and loss account.

The actuarial gains or losses related to other long-term employee benefits (long-service awards) are recognised in profit and loss account.

→ Deferred compensation

Deferred compensation is recorded as an expense in the financial year of attribution.

2.4. CONSOLIDATION PRINCIPLES AND METHODS

2.4.1. CONSOLIDATION SCOPE AND METHODS

The consolidated financial statements include the accounts of Exane and of its French and foreign subsidiaries over which Exane is in a position to govern the financial and operating policies, such control is presumed to exist when the Exane Group owns more than half of the voting rights of an entity.

The consolidation methods are defined by IFRS 10, IAS 28 and IAS 31, based on the type of control Exane has over the entities that can be consolidated. They are as follows:

→ Full consolidation

Entities under the exclusive control of the Group are fully consolidated. The Group has exclusive control over a subsidiary where it is in a position to govern the financial and operating policies of the subsidiary so as to obtain benefits from it.

Exclusive control is presumed to exist when the Exane Group owns directly or indirectly, more than half of the voting rights of a company. Minority interests in the net income and in retained earnings are presented separately in the balance sheet.

Subsidiaries are consolidated from the date on which the Group obtains effective control. They are deconsolidated from the date on which the Group no longer has control over them.

Full consolidation consists of replacing the book value of the shares held in the Group's consolidated financial statements with all assets and liabilities carried by the consolidated companies. The amount of minority interests held in the assets and earnings is presented separately in the consolidated financial statements.

→ UCITS

UCITS are consolidated when they are controlled by the Group.

The Group considers ownership equal to 50% or above as the control threshold.

Participating interests of less than 50% in the Group's UCITS are recorded at fair value through profit or loss. For participating interests between 20% and 50%, an analysis of the application of IFRS 10 is done.

2.4.2. CLOSING DATE

The companies included in the consolidation scope were consolidated based on the financial statements closed off at 31 December 2020.

2.4.3. CONSOLIDATION ADJUSTMENTS AND ELIMINATIONS

→ Elimination of intragroup balances and transactions

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

The accounting methods of subsidiaries are in line with those of the Group.

→ Translation of financial statements expressed in foreign currencies

The consolidated financial statements of the Group are prepared in euros, Exane's functional currency. However, each company within the Group chooses its own functional currency and records its transactions in that currency.

The consolidated financial statements of foreign subsidiaries expressed in foreign currencies (i.e. Exane Incorporated) are translated in euros using the Paris closing exchange rate for assets and liabilities, and the average exchange rate for the profit and loss account.

Differences arising from the translation of balance sheet items and profit and loss items are recorded in shareholders' equity. They include unrealised exchange gain or loss resulting from the opening balance sheet and the difference between the conversion of the profit and loss account at the average rate and balance sheet conversion at the closing exchange rate.

The shareholders' equity of Exane Incorporated is fully hedged against foreign exchange risk (efficient hedging). Net forex gains or losses on the hedge are also recorded in shareholders' equity and offset all or part of any translation differences resulting from the consolidation of Exane Incorporated.

Deferred tax is recognised in respect of this hedge since it generates a discrepancy between net income and fiscal year earnings.

2.4.4. CHANGES IN THE SCOPE OF CONSOLIDATION

The scope of consolidation of the Exane Group at 31 December 2020 is as follows:

Companies	Countries	Method	31/12/20		31/12/19	
			% of interest	% of capital	% of interest	% of capital
Exane SA	France	GI	100	100	100	100
Exane Derivatives	France	GI	100	100	100	100
Exane Asset Management	France	GI	77	77	75.5	75.5
Exane Derivatives Gérance	France	GI	100	100	100	100
Exane Finance	France	GI	100	100	100	100
Ellipsis Asset Management	France	GI	100	100	100	100
Ellipsis Asset Management Suisse	Switzerland	GI	100	100	100	100
Ixios Asset Management	France	GI	100	100	100	100
Exane Participations	France	GI	100	100	100	100
Exane Solutions Luxembourg SA (registered on 19 August 2020)	Luxembourg	GI	100	100	-	-
Exane Incorporated	USA	GI	100	100	100	100

3. USES OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Preparation of the financial statements requires managers of core businesses and corporate functions to make assumptions and estimates that are reflected in the measurement of income and expenses in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires the managers in question to exercise their judgment and to make use of information available at the date of the preparation of the financial statements when making their estimates. The actual future results from operations where managers have made use of estimates may in reality differ significantly from those estimates. This may have a material effect on the financial statements.

Estimates and judgments, which are continually updated, are based on historical data and on other factors, in particular expectations of future events that are considered reasonable in the view of the circumstances.

Accounting estimates requiring specific assumptions are mainly applied to:

- calculations of the fair value of financial instruments that are not quoted in organised markets and use of internal valuation models which include observable and non-observable data;
- calculations of the fair value of unlisted financial instruments with the use of valuation techniques which include non-observable data. These are classified in “Financial assets at fair value through profit or loss”, or “Financial liabilities at fair value through profit or loss”;
- the measurement of amounts recognised to cover employee benefit obligations, impairment of receivables, and provisions for contingencies and charges.

3.1. CLASSIFICATION OF PARAMETERS INTO THE “OBSERVABLE” AND “NON-OBSERVABLE” CATEGORIES

The classification of parameters as “observable” or “non-observable” must be approved by the Group’s Risk Management Department. The parameters are deemed observable if data is provided regularly by sources which do not include the Front Office. The accuracy of the data is submitted to the Group’s Risk Management Department for approval.

Some complex products, which can only be valued with parameters of correlation or volatility not directly comparable to market data, may be classified in the “non-observable” category.

The maturity of some of these instruments also results in classifying them as “non-observable”.

The instruments under scrutiny are mostly multi-underlying equity derivatives, currency products and commodities.

As stated in the note on accounting principles, the margin at inception is only recognised in profit and loss when the valuation models used are based on market data that are considered “observable”.

3.2. EMPLOYEE BENEFITS

The measurement of employee benefits takes into account various parameters, such as a discount rate, demographic assumptions, the probability that employees will leave before retirement age, salary inflation, and social security taxes.

3.3. IMPAIRMENT OF RECEIVABLES

When there is an objective risk of non-recovery, an impairment loss is recognised in the item “Loans and receivables”.

3.4. PROVISIONS

The measurement of provisions may also be based on management estimates.

4. RISK EXPOSURE

The Exane Group's activities are divided in four business lines:

- Cash Equities (Research, Sales and Execution),
- Derivatives (Research, Sales, Execution, Trading and Structuring),
- Asset Management with its subsidiaries EAM, Ellipsis AM and Ixios AM,
- and the holding department which invests in internal (Seed Money) and external funds and manages the equity and the liquidity for the Group.

These business lines expose the Group to different types of financial risks, as depicted in the following table:

Business lines	Market	Credit / counterparty	Settlement	Liquidity	Operational
Equity Research					X
Sales & Execution - Equity	X		X	X	X
Derivatives Research					X
Sales & Execution - Derivatives			X		X
Derivatives Trading	X	X		X	X
Fund Investment	X			X	X
Asset Management	X			X	X

The Equity Sales and Execution business carries market, liquidity and settlement risks linked to its facilitation activity and Equity Capital Market activity.

The Derivatives Trading business carries market risks and a significant credit/counterparty risk and liquidity risk. It mainly corresponds to a market activity and a customer-oriented business.

4.1. FINANCIAL RISKS CONTROL FRAMEWORK

The Risk Management Department reports directly to the Deputy Chief Executive Officer of Exane SA, who is in charge of central functions of the Group. Its main tasks comprise:

Market risk:

- defining and measuring risk indicators,
- setting limits, monitoring overruns, managing overrun approval,
- validating pricing models,
- validating products and their description in the management system,
- validating valuation parameters,
- calculating and monitoring own funds requirements regarding market risk (based on the standard approach).

Counterparty risk:

- validating any entry into business relations with any new third party (principal, introducing broker, distributor, OTC counterparty, etc.),
- assigning an internal rating,
- monitoring commitments and limits on a daily basis,
- calculating and monitoring own funds requirements regarding counterparty risk (based on the standard approach).

Liquidity risk:

- daily monitoring cash consumption by activities,
- defining and monitoring risk indicators,
- controlling internal liquidity buffer and liquidity assets.

For all financial risks, the Risk Management Department reports on its activities and the results of its controls to the Group Management Risk Committee, the Executive Committee and the Board of Directors.

4.1.1. MARKET RISK

Five market risk measurement processes are carried out daily:

- a calculation of capital requirements according to the standard method defined in the banking regulations,
- a calculation based on proprietary stress scenario model called Internal Capital Allowance (ICA),
- a normal Value-at-Risk (VaR) and a stressed Value-at-Risk, each calculated on a panel of 250 scenarios of daily changes in market parameters according to the internal model,
- historic and hypothetical stress scenarios meeting the requirements of an internal model,
- a wide range of (Greek) sensitivity measures evaluated against the various market parameters.

The ICA uses the worst-case scenario for each area studied, based on sudden changes, whether simultaneous or not, in interest/exchange rates, the price of underlying assets, volatility, credit, correlations and dividends. Asset decorrelation risk is also included in these calculations.

→ Derivatives Trading

Derivatives activities are undertaken by the Exane Derivatives entity. This is organised by activity according to the risk profile of the products and structured around four internal units:

- Linear Trading brings together all of the Group's linear derivatives trading activities:
 - Market making on Delta One products including security lending, total return swaps and total return futures, security repo, index (including sector) forwards/futures and dividend repo as well as EFPs (Exchange For Physical),

- Structuring of products on different underlyings as part of a market making activity, mainly structured Delta One through certificates issued by Exane Finance or Exane Solutions (Luxembourg) SA, these products can also be carried out as swaps;
- Non-Linear Trading covers all the Group's trading activities in optional derivatives:
 - Market making in options products including index and equity options, mini futures, structured products on equities, indices, foreign exchange or commodities.
- The Central Treasury Unit manages the Group's securities and cash inventory by hedging settlement/delivery risk and regulatory obligations on short sales through security lending/borrowing, and by monitoring and hedging the Group's refinancing needs through financing transactions.
- Structured brokerage consists of the provision of investment services to clients through the brokerage of structured instruments. As part of its activity, this unit provides investment and related services by entering into transactions in financial instruments to meet the hedging, financing or investment needs of its clients.

These activities are intended to generate an investment and trading margin by minimizing the exposure of the positions taken to market parameters by using very dynamic and proactive management of the risks.

→ Sales and Execution Cash Equities

The Cash Equities activity provides a complete range of execution services on European equities and listed ETFs markets.

The main activities are:

- "High touch" trading collects orders from customers electronically or by voice. Traders execute those orders primarily using internal execution algorithms;
- Electronic trading collects orders from customers electronically. These orders will be automatically executed on the market or via an execution algorithm, based on instructions predefined by the client;
- Program trading collects orders on equity baskets and executes them mainly using internal execution algorithms.

In some cases, execution may be done with risk-taking by Exane under the facilitation activity (equity and ETF). This involves providing internal and external customers with firm prices, matching customer orders and selling them in the market either live (DMA) or by using execution algorithms or trading algorithms (CRB).

The objective of these activities is to generate executions fees while minimizing losses on positions taken in the context of providing liquidity to clients.

The Equity Capital Market activity provides services on primary market transactions originated by the BNP Paribas teams, for which Exane provides Research expertise, distribution capacity and, in some case, a partial investment guarantee.

→ Seed Money

These investments are done:

- mainly in Seed Money in alternative management funds managed by EAM or in funds managed by Ellipsis AM. Seed Money investments are monitored by the Risk Management Department with all risk indicators calculated directly on the assets making up the fund, and,
- in a limited number of external funds (one as at 31 December 2020).

The Group complies with the rules set out in law No.2013-672 of 26 July 2013 of Separation and Regulation of Banking Activities.

4.1.2. CREDIT / COUNTERPARTY RISK

Credit risk exists with all of the Group's positions in equity instruments and debt securities through issuer risk. These positions are subject to market risk limits.

Counterparty risk is generated by:

- OTC hedging transactions with banks,
- OTC transactions with clients with special internal agreements,
- swaps to hedge structured products which are issued by external institutions; these transactions are entered into with highly rated financial organisations,
- security lending/borrowing related to trading and brokerage activities,
- security transaction with settlement free of payment under the facilitation activity.

Each position has an internal limit on the total exposure to issuer risk and counterparty risk. Counterparty risk comprises current and potential risk estimated using the same scenarios as those used in the ICA.

As part of the application of IFRS 13, a valuation adjustment is made on over-the-counter financial instruments in order to account for the credit risk level of the counterparts when the expected fair value of the instruments is positive (CVA), and the Exane level of credit when the expected fair value of the instruments is negative (DVA).

→ Derivatives transactions

The total amount of notional derivatives transactions was 27,396 million euros as at 31 December 2020.

The notional amount of derivatives only reflects the Group's volume of activity on the financial instruments market, not the market risks related to these instruments.

Positions on forward financial instruments are entered into for the purpose of hedging assets and liabilities and to manage the Group's investment portfolio.

The breakdown by residual maturity is as follows:

(in thousands of euros)	31/12/20				31/12/19			
	Total	0 to 1 yr	1 to 5 yrs	> 5 yrs	Total	0 to 1 yr	1 to 5 yrs	> 5 yrs
Futures and forwards	9,301,141	5,566,537	3,693,604	41,000	14,094,125	9,331,450	4,590,427	172,248
Organised markets	5,488,222	3,113,960	2,374,262		10,109,488	7,132,522	2,973,456	3,509
Interest rate instruments	3,723,344	1,531,150	2,192,194		6,807,631	3,866,972	2,940,660	
Equity index instruments	1,293,712	1,117,369	176,343		1,972,808	1,945,065	24,234	3,509
Single stock-based instruments	457,595	451,870	5,725		1,323,170	1,314,607	8,563	
Commodities-based instruments	13,570	13,570			5,878	5,878		
Over-the-counter markets	3,812,920	2,452,577	1,319,342	41,000	3,984,638	2,198,928	1,616,971	168,739
Equity index swaps	579,762	313,931	252,831	13,000	999,189	566,579	420,610	12,000
Single stock equity swaps	2,107,276	1,718,038	381,238	8,000	948,899	604,506	344,393	
Interest rate swaps	1,007,750	348,172	639,577	20,000	1,577,743	596,273	842,534	138,936
Currency swaps	86,303	68,746	17,556		429,056	406,819	4,434	17,803
Commodities swaps	28,140		28,140		5,000		5,000	
Forward currency instruments	3,690	3,690			24,752	24,752		
Options	18,095,539	14,470,434	3,623,968	1,138	41,324,244	33,787,283	7,523,344	13,617
Organised markets	16,623,728	13,541,050	3,082,295	383	38,767,972	32,420,383	6,333,972	13,617
Interest rate options	10,839		10,839					
Index options	4,416,398	3,540,756	875,259	383	17,702,151	15,283,842	2,404,692	13,617
Single stock options	12,161,147	9,964,950	2,196,198		21,062,029	17,132,748	3,929,281	
Commodities options	31,485	31,485			3,793	3,793		
Currency options	3,860	3,860						
Over-the-counter markets	1,471,811	929,383	541,673	755	2,556,271	1,366,900	1,189,372	
Credit default swaps	61,979	4,075	57,904		136,474	58,969	77,505	
Index options	240,228	227,379	12,094	755	401,782	351,221	50,561	
Interest rate options	40,596	23,500	17,096		5,000		5,000	
Single stock options	1,127,379	672,800	454,579		1,911,836	882,634	1,029,202	
Commodities options	1,630	1,630						
Currency options					101,180	74,076	27,104	
Total	27,396,681	20,036,971	7,317,572	42,138	55,418,369	43,118,733	12,113,771	185,865

4.1.3. SETTLEMENT RISK

Settlement risk arises from the Group's Cash Equities and Equity Derivatives businesses. The Risk Management Department carries out a calculation of the following risks every day:

- a specific risk over one, two and three days for a given counterparty and a given security to be settled/delivered;
- a general risk over one, two and three days calculated on all of the transactions to be settled for a given third party.

A limit is assigned with respect to the specific risk and general risk based on the internal credit rating of the third party.

4.1.4. LIQUIDITY RISK

Liquidity and refinancing risk is monitored as part of the liquidity policy approved by the Management. The objective is to maintain sufficient available resources, in particular through the available part of BNP Paribas financing line, in order to cover the business activities requirements and to deal with any liquidity crisis.

In 2018, the Group modified its regulatory approvals in order to carry out all its activities as investment firms. Henceforth, the requirement for a regulatory buffer of liquid assets in accordance with the CRR (compliance with a LCR ratio greater than 100%) is no longer applicable to the Group.

However, the Group has a control framework governed by a liquidity risk tolerance policy in accordance with CRD IV:

- internal liquidity buffer; liquid asset buffer equal to three months of fixed overheads and the available part of financing lines,
- limits on cash flow indicators and cash consumption by business lines,
- financial management committee overseeing liquidity management.

4.1.5. VALUATION CONTROL

The valuation policy, whether derivatives instruments are listed on an organised market or OTC traded, is validated by the Risk Management Department.

Instruments valued on the basis of quoted priced are:

- equity shares and similar (CFD, ADR, CI, etc.),
- trackers, funds,
- and commodities futures.

Instruments valued on the basis of a model are:

- index futures,
- listed options,
- vanilla and exotic OTC options,
- convertible bonds,
- structured issues (warrants, EMTN, etc.),
- interest rate swaps,
- performance swaps.

For these instruments, the Risk Management Department validates in particular:

- valuation models,
- parameters used by these models.

For some exotic instruments, models and parameters cannot be validated by market observations. In this case, in accordance with IFRS standards, the initial margin is reserved and linearly amortised in the profit and loss account. If market data and parameters subsequently become “observable”, the remaining deferred margin is recognised immediately in the profit and loss account.

4.2. OPERATIONAL RISKS CONTROL FRAMEWORK

The Permanent Control and Operational Risk process is managed by the Coordinator of Group Permanent control, reporting to the Deputy Chief Executive Officer of Exane SA, in charge of central support functions.

This process relies on Operational Risk Correspondents within each of the Group’s business lines and functions, and has the following missions:

- to ensure the consistency, completeness and effectiveness of the permanent control process relating to non-financial risks, in particular in connection with Compliance and IT Security Departments;
- to monitor operational risk processes at a Group level.

These missions are achieved by:

- maintaining the processes/risks/controls mapping in accordance with the defined methodology;
- checking the adequacy, supporting documentation and correct functioning of control processes, and analysis and monitoring anomalies found;
- analysing the operational incidents report;
- coordinating the follow-up of essential services providers;
- validating, monitoring and closing of the related control action plans;
- reporting its activity and the results of its controls to the Group Management Risk Committee, the Executive Committee and the Board of Directors and its Risks Committee.

The Exane Group applies the standard approach for the calculation of own funds requirements regarding operational risk and is compliant with the qualitative requirements linked to this option through the process described above.

5. NOTES TO THE CONSOLIDATED BALANCE SHEET

5.1. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Details of financial assets at fair value through profit or loss

(in thousands of euros)	31/12/20			31/12/19		
	Trading book	Assets designated at fair value	Total	Trading book	Assets designated at fair value	Total
Bonds and other debt instruments⁽¹⁾	543,086		543,086	537,956		537,956
Equities and other variable-income securities⁽²⁾	1,438,807	89,386	1,528,193	2,580,793	195,708	2,776,500
Trading book derivatives	816,283		816,283	857,798		857,798
• Equities and variable-income securities	803,284		803,284	829,769		829,769
• Interest rate derivatives	11,721		11,721	11,996		11,996
• Currency derivatives	513		513	15,147		15,147
• Other derivatives	765		765	886		886
Total financial assets at fair value through profit or loss*	2,798,176	89,386	2,887,562	3,976,547	195,708	4,172,254

(1) of which collateralised securities at 31 December 2020: 369,749 thousand euros and at 31 December 2019: 122,805 thousand euros.

(2) of which collateralised securities at 31 December 2020: 357,096 thousand euros and at 31 December 2019: 695,782 thousand euros.

* i.e. note 5.1.2 Offsetting of financial assets & liabilities.

Details of financial liabilities at fair value through profit or loss

(in thousands of euros)	31/12/20			31/12/19		
	Trading book	Assets designated at fair value	Total	Trading book	Assets designated at fair value	Total
Debts on borrowed securities and short sale	197,756		197,756	192,252		192,252
Debt securities⁽¹⁾		1,909,141	1,909,141		2,285,919	2,285,919
Trading book derivatives	803,384		803,384	790,460		790,460
• Equities and variable-income securities	791,978		791,978	774,653		774,653
• Interest rate derivatives	7,514		7,514	10,952		10,952
• Currency derivatives	3,299		3,299	4,795		4,795
• Other derivatives	593		593	60		60
Total financial liabilities at fair value through profit or loss*	1,001,140	1,909,141	2,910,281	982,712	2,285,919	3,268,631

(1) of which collateralised securities at 31 December 2020: 552,002 thousand euros and at 31 December 2019: 553,564 thousand euros.

* i.e. note 5.1.2 Offsetting of financial assets & liabilities.

The breakdown of the Group's financial assets and liabilities by residual maturity at 31 December 2020 is as follows:

(in thousands of euros)	Overnight and demand deposits	Overnight (excluded) to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial assets at fair value through profit or loss	1,537,747	25,491	38,309	525,093	381,856	379,067	2,887,562
Bonds and other debt securities	9,554	788	913	23,795	129,655	378,381	543,086
Equities and other variable-income securities	1,528,193						1,528,193
Trading book derivatives		24,703	37,396	501,298	252,201	686	816,284
Financial liabilities at fair value through profit or loss	197,893	21,135	196,719	803,779	1,570,708	120,047	2,910,281
Debts on securities	197,756						197,756
Debt securities	137	2,570	117,149	323,011	1,350,090	116,184	1,909,141
Trading book derivatives		18,565	79,570	480,768	220,618	3,863	803,384

5.1.1. MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments are classified into three levels in descending order of the observability of their value and of the inputs used for their valuation:

- **Level 1** – Financial instruments with quoted market prices

Level 1 comprises financial instruments with quoted prices in an active market that can be used directly.

- **Level 2** – Financial instruments measured using valuation techniques based on observable inputs

This level consists of financial instruments measured by reference to the price of similar instruments quoted in an active market or to identical or similar instruments quoted in a non-active market but for which transaction prices are readily and regularly available on the market or, lastly, instruments measured using valuation techniques based on observable inputs.

- **Level 3** – Financial instruments measured using valuation techniques based on non-observable inputs

This level comprises financial instruments measured using valuation techniques based wholly or partially on non-observable inputs. A non-observable input is defined as a parameter, the value of which is derived from assumptions or correlations not based either on observable transaction prices in an identical instrument at the measurement date or observable market data available at the same date.

An instrument is classified in Level 3 if a significant portion of its valuation is based on non-observable inputs.

This level notably comprises complex derivatives with multiple underlyings and derivatives used for issuance of structured products.

In accordance with IFRS 7, all financial instruments whose valuation is significantly influenced by non-observable inputs at the closing date are included in Level 3.

At 31 December 2020, the breakdown by measurement method applied to financial instruments recognised at fair value presented in line with the latest recommendations of IFRS 7 is as follows:

(in thousands of euros)	31/12/20				31/12/19			
	Quoted market price (level 1)	Fair value based on observable data (level 2)	Fair value based on non-observable data (level 3)	Total	Quoted market price (level 1)	Fair value based on observable data (level 2)	Fair value based on non-observable data (level 3)	Total
Financial assets at fair value through profit or loss	2,709,902	109,381	68,279	2,887,562	4,034,609	110,025	27,620	4,172,254
Bonds and other debt instruments	519,107	7,570	16,409	543,086	485,710	51,906	340	537,956
Equities and other variable-income securities	1,525,060	3,133	0	1,528,193	2,772,137	4,363	0	2,776,500
Trading book derivatives	665,735	98,678	51,870	816,283	776,762	53,756	27,280	857,798
Total	2,709,902	109,381	68,279	2,887,562	4,034,609	110,025	27,620	4,172,254
Financial liabilities at fair value through profit or loss	776,296	1,745,862	388,123	2,910,281	875,916	1,747,568	645,147	3,268,631
Debt on borrowed securities and short sale	197,756			197,756	192,252			192,252
Debt securities		1,591,135	318,006	1,909,141		1,699,694	586,225	2,285,919
Trading book derivatives	578,540	154,727	70,117	803,384	683,664	47,874	58,922	790,460
Total	776,296	1,745,862	388,123	2,910,281	875,916	1,747,568	645,147	3,268,631

Table of change in level 3 financial instruments

For level 3 financial instruments, the following changes occurred between 1 January 2020 and 31 December 2020:

(in thousands of euros)	Financial instruments at fair value through profit or loss held for trading	
	Financial assets	Financial liabilities
Beginning of the period	27,620	645,147
Valuation impact	14,600	(32,993)
New deals/issues	43,885	131,862
Transfers to other levels ⁽¹⁾	(52)	(154)
Settlements	(17,774)	(355,738)
End of the period	68,279	388,124

(1) The transfer to the “observable” level depends on the “observability” date by underlying category and product type, and by risk and maturity category. The review of the status and the data of the product can justify a move in the level “non-observable”.

Sensitivity of model values to reasonably likely changes in level 3 assumptions

To measure the sensitivity of the fair value of the level 3 portfolio to a change in assumptions, the following scenario was considered:

Parameter	Spot	Volatility	Rate	Correlation	Dividend	Spread
Change	1.5%	- 1 pt	-10 bps	-2.5%	2.5%	-10%

For level 3 financial instruments, the most unfavourable direction is considered in terms of parameters movements.

The potential impact of this scenario on the level 3 portfolio is -3.7 million euros at 31 December 2020 versus -10.1 million euros at 31 December 2019.

Deferred margin on financial instruments measured using techniques based on non-observable inputs (Day One)

Deferred margin on financial instruments (Day One Profit) only concerns the scope of market activities eligible for Level 3.

(in thousands of euros)

Beginning of the period - 31 December 2019	5,179
New deals	975
Model variance and non-observable parameters	(306)
Purchase	(4,805)
End of the period - 31 December 2020	1,042

5.1.2. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table presents the accounting impacts relating to (i) the amendment of IAS 32 that clarifies the rules for offsetting financial assets and liabilities and (ii) the amendment to IFRS 7 (disclosures on offsetting of financial assets and financial liabilities). The potential impact of this netting has been determined for OTC derivatives by third party and for listed derivatives by market.

A financial asset and a financial liability are offset and the net balance is recorded in the balance sheet if and only if:

- the Group has a legally enforceable right to offset “in all circumstances” the recognised amounts. Thus, the right to offset must not be contingent upon the occurrence of an event, and must be applicable not only in case of default and/or bankruptcy but also in the normal course of business;
- the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Most of the offset derivatives transactions are processed with clearing houses.

On this basis, the Group has determined the impact of offsetting:

- no offsetting is possible on derivatives with physical settlement without a net settlement between a cash flow and a delivery of an underlying security;
- offsetting by market on listed derivatives due to systematic settlement in cash. On the other hand, mark-to-market (“MTM”) and margin calls cannot be offset because they are not symmetrical;
- offsetting by counterparty, currency and maturity bucket on OTC derivatives.

The impact on the balance sheet at 31 December 2020 is a decrease of 115 million euros versus 235 million euros at 31 December 2019.

	Per Exane Group accounting rules applied			Per IFRS 7 standard	
	Gross amounts	Gross amounts set off on the balance sheet	Net amounts presented on the balance sheet	Financial instruments received as collaterals	Net amounts
(in thousands of euros)					
31/12/20					
Financial assets at fair value through profit or loss	3,002,982	(115,420)	2,887,562		2,887,562
• Financial instruments derivatives	931,703	(115,420)	816,283		816,283
Accrued income and other assets	1,103,451		1,103,451	(117,216)	986,235
• Guarantee deposits paid	322,006		322,006	(117,216)	204,790
Financial liabilities at fair value through profit or loss	3,025,701	(115,420)	2,910,281		2,910,281
• Financial instruments derivatives	918,804	(115,420)	803,384		803,384
Accrued expenses and other liabilities	865,730		865,730	(31,783)	833,947
• Guarantee deposits received	35,805		35,805	(31,783)	4,022
31/12/19					
Financial assets at fair value through profit or loss	4,406,881	(234,627)	4,172,254		4,172,254
• Financial instruments derivatives	1,092,425	(234,627)	857,798		857,798
Accrued income and other assets	932,372		932,372	(55,285)	877,087
• Guarantee deposits paid	290,035		290,035	(55,285)	234,750
Financial liabilities at fair value through profit or loss	3,503,258	(234,627)	3,268,631		3,268,631
• Financial instruments derivatives	1,025,087	(234,627)	790,460		790,460
Accrued expenses and other liabilities	876,175		876,175	(32,390)	843,785
• Guarantee deposits received	35,192		35,192	(32,390)	2,802

Regarding master netting agreements, the guarantee deposits received or given in compensation for the positive or negative fair values of financial instruments are recognised in the balance sheet in accrued income or expenses and other assets or liabilities.

5.2. LOANS AND RECEIVABLES / DEBTS DUE FROM / TO CREDIT INSTITUTIONS

(in thousands of euros)	31/12/20	31/12/19
Deposits paid on security borrowing	378,360	317,596
Demand accounts	106,189	170,592
Short-term loans	47,066	63,636
Interest on current accounts	104	291
Loans and receivables due from credit institutions (at amortised cost)	531,719	552,115
Deposits received on security lending	267,108	431,418
Demand accounts	34,889	82,608
Long-term borrowings	197,641	765,443
Accrued interest	818	657
Debts due to credit institutions (at amortised cost)	500,456	1,280,126

The breakdown by residual maturity is as follows:

(in thousands of euros)	Overnight (excluded) to 1 month	Over 5 years	Total
31 December 2020			
Loans and receivables due from/to credit institutions	531,719		531,719
Debts due to credit institutions	302,815	197,641	500,456
31 December 2019			
Loans and receivables due from/to credit institutions	552,115		552,115
Debts due to credit institutions	514,683	765,443	1,280,126

5.3. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

(in thousands of euros)	31/12/20	31/12/19
Current tax assets	1,318	687
Deferred tax assets	72,221	61,595
Total assets	73,539	62,282
Current tax liabilities	20,426	9,533
Deferred tax liabilities	3,760	9,936
Total liabilities	24,187	19,469

5.4. ACCRUED INCOME / EXPENSES AND OTHER ASSETS / LIABILITIES

(in thousands of euros)	31/12/20	31/12/19
Settlement accounts related to market transactions	639,028	528,465
Guarantee deposits and bank guarantees paid	322,006	290,035
Social and tax assets	16,819	14,863
Accrued income and prepaid expenses	63,140	48,075
Other accrued income and other assets	62,458	50,935
Net asset value	1,103,451	932,372
Settlement accounts related to market transactions	537,553	538,801
Guarantee deposits received	35,805	35,192
Social and tax liabilities	179,453	164,945
Deferred income and accrued expenses	46,471	43,526
Other accrued expenses and other liabilities	66,448	93,712
Net liability value	865,730	876,175

5.5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	31/12/20			31/12/19
	Gross	Amortisation and provisions	Net	Net
Right-of-use of rent leases (IFRS 16)	57,759	(20,239)	37,519	36,490
IT and electronics	24,854	(23,463)	1,391	2,115
Furniture, fixtures and telephony system	28,984	(22,706)	6,278	6,938
Total property, plant and equipment	111,596	(66,408)	45,188	45,543
Software	27,089	(21,290)	5,799	8,339
Other intangible assets	2,087	(2,085)	2	2
Total intangible assets	29,176	(23,375)	5,801	8,341

The impacts of IFRS 16 are as follows:

(in thousands of euros)	Asset	Liability
Total property, plant and equipment		
Rights-of-use	37,519	
Other liabilities		37,519
(in thousands of euros)	Profit and loss account	
General operating expenses		
Leases	(9,784)	
Depreciation, amortisation of intangible assets		
Depreciation rights-of-use		9,784

5.6. PROVISIONS

(in thousands of euros)	31/12/19	New provisions	Write-backs	31/12/20
Provisions	46,576	14,229	16,793	44,013

Provisions include provisions for employee benefit obligations, (retirement commitments, retirement indemnities) and other long-term benefits (long-term awards), as well as other provisions hedging some potential risks including provisions relating to the *Plan de Sauvegarde à l'Emploi* set up in June 2020 and approved by the *Direction du Travail (Direccte)*.

→ Defined-contribution plans

In the different countries where the Group is located and depending on local regulations, there are different types of defined-contribution plans. In France, retirement is split between the core scheme and the additional plans. In the United Kingdom, the Group has set up a retirement scheme financed by its UK branch. The contributions paid to these schemes are based on a percentage of annual wages and recognised as an expense for the period.

→ Defined-benefit schemes

In the United States of America, the Group offers only one defined-benefit scheme, for its subsidiary Exane Incorporated. It is based on the acquisition of a pension defined according to the average wage and to the number of years of work.

In France, employees benefit from retirement indemnities.

Post-employment benefits: commitments related to defined-benefit schemes

(in thousands of euros)	31/12/19	New provisions	Write-backs	31/12/20
Net obligation for defined-benefit plans	9,079	1,593		10,672

Change in the present value of the defined-benefit obligation

(in thousands of euros)	31/12/20	31/12/19
Present value of defined-benefit obligation at the beginning of the period	15,728	15,675
Current service cost	1,773	1,554
Expense related to the measurement of the commitments	444	343
Actuarial gains/losses on obligation	717	521
Benefits paid	0	(48)
Exchange rate impact	(892)	132
Others	938	(2,450)
Present value of defined-benefit obligation at the end of the period	18,709	15,728

Change in the fair value of plan assets

(in thousands of euros)	31/12/20	31/12/19
Present value of plan assets at the beginning of the period	6,649	6,653
Expected return on plan assets	341	324
Actuarial gains/losses on plan assets	(350)	(375)
Contributions paid	1,138	353
Exchange rate impact	(662)	118
Others	922	(425)
Present value of plan assets at the end of the period	8,037	6,649

Components of the cost of defined-benefit plans

(in thousands of euros)	31/12/20	31/12/19
Total expense recognised in staff costs	1,514	1,573
Service costs for the current period	1,773	1,554
Service costs for previous periods	(363)	0
Expenses related to the measurement of the commitments	444	343
Expected return of plan assets	(341)	(324)

The discount rates used for the calculation of the employee benefit obligations are as follows:

	31/12/20		31/12/19	
	France	USA	France	USA
Discount rate	0.35%	2.52%	0.78%	3.61%

5.7. SHAREHOLDERS' EQUITY

(in thousands of euros)	31/12/19	Appropriation of 2019 net income and dividend	Impact of valuation of employee benefits	Others	2020 net income	31/12/20
Capital	40,690					40,690
Consolidated earnings	290,978	21,972		20		312,970
Gains/losses on equity	(2,375)		(1,151)	(116)		(3,643)
2019 net income	21,972	(21,972)				0
2020 net income					19,548	19,548
Total	351,265	0	(1,151)	(96)	19,548	369,565

Equity breaks down as follows at 31 December 2020:

	31/12/20		31/12/19	
	Number of shares	% Capital	Number of shares	% Capital
Verner Investissements	180,539	100%	180,539	100%
Others	1	0%	1	0%
Total	180,540	100%	180,540	100%

Ordinary shares have a notional value of 170 euros each.

6. NOTES TO THE PROFIT AND LOSS ACCOUNT

6.1. INTEREST INCOME AND EXPENSES

(in thousands of euros)	31/12/20	31/12/19
Demand accounts	106	259
Deposits paid on security borrowing	11,785	50,849
Other interests	2,361	3,650
Interest income	14,252	54,758
Demand accounts	2,367	2,711
Deposits received on security lending	8,888	17,204
Other loans and cash flows	3,127	3,570
Interest expenses	14,382	23,485

6.2. NET COMMISSION INCOME AND EXPENSES

(in thousands of euros)	31/12/20	31/12/19
Security transactions	280,904	247,166
Forward and option contracts	15,903	11,741
Primary market	31,926	22,326
Commission (income)	328,734	281,233
Security transactions	72,198	67,028
Forward and option contracts	4,591	4,870
Cash flows	3,699	2,075
Commission (expenses)	80,488	73,973

6.3. NET GAIN / LOSS ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(in thousands of euros)	31/12/20	31/12/19
Fixed-income and variable-income securities	(56,136)	143,800
Financial instruments	113,189	(88,139)
Remeasurement of currency positions	(3,484)	277
Net gain/loss on financial instruments at fair value through profit or loss	53,569	55,938

6.4. NET INCOME AND EXPENSES FROM / ON OTHER ACTIVITIES

Income from other activities mainly consists of the fees Exane charges for financial analysis and Research and which amounted to 49.3 million euros at 31 December 2020 versus 52.7 million euros at 31 December 2019.

6.5. OPERATING EXPENSES

This item includes “Salary and employee benefit expenses” and “Other operating expenses”.

6.5.1. SALARY AND EMPLOYEE BENEFIT EXPENSES

(in thousands of euros)	31/12/20	31/12/19
Fixed and variable remuneration	167,611	159,411
Social security taxes	51,762	45,707
Payroll taxes	3,973	4,032
Profit-sharing	3,950	2,454
Total salary and employee benefit expenses	227,296	211,604

Salary and employee benefit expenses include the restructuring costs relating to the *Plan de Sauvegarde à l'Emploi* set up in June 2020 and approved by the *Direction du Travail (Direccte)*.

The average workforce of the Exane Group developed as follows:

Number of people employed	31/12/20	31/12/19
Executives	718	751
Supervisors	11	16
Employees	48	44
Average workforce	778	812

Since there are few corporate officers, giving any information on remuneration granted to the members of the management bodies would result in disclosing individual member's remuneration. Consequently, this information is not shown in the notes to the financial statements.

6.5.2. OTHER OPERATING EXPENSES

(in thousands of euros)	31/12/20	31/12/19
Office rent	4,073	4,414
Fees	5,595	4,968
Auditor fees	799	812
Travel and entertainment expenses	3,121	9,811
Sub-contracted IT services	10,220	12,723
Other taxes	6,311	6,266
Other expenses	41,343	40,621
Other operating expenses	71,462	79,617

“Office rent” is impacted by IFRS 16. The rental expense is comprised of amortisation of the right-of-use of the offices and of the interest expenses relating to the rental debt.

6.6. DEPRECIATION / AMORTISATION EXPENSES

This item discloses depreciation/amortisation expenses on property, plant and equipment and intangible assets. It is impacted as at 31 December 2020 by IFRS 16 relating to the amortisation of the right-of-use of offices up to 9.7 million euros.

6.7. CORPORATE INCOME TAX

The composition of the tax charge is as follows:

(in thousands of euros)	31/12/20	31/12/19
Current tax charge	27,289	26,516
Deferred tax assets and liabilities	(16,658)	(14,998)
Total	10,631	11,518

In compliance with IFRS, the Group recognises deferred taxes for all taxable deductible temporary differences between the tax value of assets and liabilities and their carrying value recognised on the balance sheet. Deferred tax assets are recognised based on the probability that they will be recovered.

The amount of deferred taxes developed as follows:

(in thousands of euros)	31/12/20	31/12/19
Taxable temporary difference	72,183	62,310
Consolidation adjustments	(3,723)	(10,652)
Total	68,460	51,658
• of which income impact	16,658	16,279
• of which reclassification between current and deferred tax (London & Inc.)		(1,281)
• of which equity impact	143	(58)

Exane SA, Exane Derivatives, Exane Finance, Exane Derivatives Gérance, Ellipsis AM and Ixios AM have each authorised Verner Investissements to be exclusively liable for corporate income tax, so as to calculate the Group's general taxable income, in accordance with article 223 A of the French Tax Code.

7. FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

7.1. FINANCING COMMITMENTS

The Group's financing commitments mainly consist of the commitments given by BNP Paribas in respect of availability of credit facilities.

At 31 December 2020, these commitments amounted to 1,240 million euros, of which 1,099 million euros was received from BNP Paribas, versus 733.7 million euros for the year ended 31 December 2019, of which 597.5 million euros was received from BNP Paribas.

7.2. GUARANTEE COMMITMENTS

As at 31 December 2020, there are no guarantee commitments.

8. SEGMENT INFORMATION

8.1. PRESENTATION OF BUSINESS SEGMENTS AND BUSINESS LINES

A business segment is a group of assets and processes engaged in the provision of products and services, and whose risk and profitability is different from the risk and profitability profile of any other business segment.

A geographic area is a group of assets and processes engaged in the provision of products and services in a particular environment, and whose risk and profitability profile is different from the risk and profitability profile of the other economic environments in which the Group's transactions are booked.

The Exane Group is composed of three core businesses:

- **Cash Equities**

Under the brand name Exane BNP Paribas, created in 2004 when the agreement with BNP Paribas was signed, Exane provides institutional investors with a range of services, such as Research, sales and execution on European equities.

- **Derivatives**

Exane Derivatives, a subsidiary of Exane, provides its clients with a whole range of tailor-made products, such as structured products and listed and OTC options.

Exane Derivatives serves all investor profiles, particularly private bankers, fund management companies, and institutional investors.

- **Asset Management**

Asset Management includes the business of both entities Exane Asset Management, Ellipsis Asset Management and Ixios Asset Management.

8.2. BREAKDOWN OF REVENUES BY BUSINESS LINE

(in millions of euros)	31/12/20	31/12/19
Cash Equities	251	230
Derivatives	30	57
Asset Management	75	55
Others	(6)	4
Total	350	346

8.3. BREAKDOWN OF THE BALANCE SHEET AND REVENUES BY GEOGRAPHICAL ZONE

Exane Derivatives and Exane SA have branches in the United Kingdom, Switzerland, Italy, Germany, Spain, Sweden. Except for the United Kingdom, the balance sheet total and revenues of these foreign offices are not significant for the Group; therefore they are not presented separately in the tables below.

8.3.1. BREAKDOWN OF THE BALANCE SHEET

(in millions of euros)	31/12/20	31/12/19
France	4,600	5,648
United Kingdom	100	185
USA	31	24
Total	4,732	5,857

8.3.2. BREAKDOWN OF REVENUES

(in millions of euros)	31/12/20	31/12/19
France	194	208
United Kingdom	124	116
USA	32	22
Total	350	346

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

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

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

To the annual general meeting of Exane SA,

OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Exane SA for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

BASIS FOR OPINION

Audit Framework

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

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

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (Code de Commerce) and the French Code of Ethics (Code de Déontologie) for statutory auditors, for the period from January 1st, 2020 to the date of our report.

JUSTIFICATION OF ASSESSMENTS

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we inform you that the assessments which, in our professional judgment, were of most significance in our audit of the consolidated financial statements addressed the appropriateness of the accounting principles applied, the reasonableness of the significant estimates used and the overall presentation of the financial statements, in particular in respect of:

Valuation of financial instruments

As described in Note 2.3.2 “Derivatives” to the consolidated financial statements, your company uses internal models to value its financial instruments which are not traded on active markets. Our procedures consisted in reviewing the control framework of the models used, assessing the data and the assumptions used, and ensuring that the risks and results related to these financial instruments have been taken into account.

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

SPECIFIC VERIFICATIONS

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

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

We attest that the consolidated non-financial statement required by article L.225-102-1 of the French Commercial Code (Code de Commerce) is included in the Group management report, it being specified that, in accordance with article L.823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

STATUTORY AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement.

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

As specified in article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

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

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris-La Défense, March 12, 2021

The Statutory Auditors

French original signed by

Mazars

Gilles DUNAND-ROUX

Deloitte & Associés

Charlotte VANDEPUTTE



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BALANCE SHEET EXANE SA

Financial year ended 31 December 2020

Assets (in thousands of euros)	Note	31/12/20	31/12/19
Cash and amounts due from central banks and post office banks		84,530	84,493
Receivables due from credit institutions	3.1	230,419	242,149
Customer items	3.2	124,758	699,051
Bonds, equities and other variable-income and fixed-income securities	3.3	38,999	85,911
Trading and settlement accounts		457,730	414,057
Investments in affiliates	3.4	42,837	25,897
Property, plant and equipment	3.5	6,893	8,981
Intangible assets	3.5	4,666	5,507
Other assets	3.6	178,326	158,818
Accrued income	3.7	25,314	35,529
Total assets		1,194,473	1,760,394

Liabilities and equity (in thousands of euros)	Note	31/12/20	31/12/19
Due to credit institutions	3.1	227,158	833,645
Customer items	3.2	160,083	32,201
Debt securities	3.3	8,494	26,975
Trading and settlement accounts		385,677	448,304
Other liabilities	3.6	146,117	136,764
Accrued expenses	3.7	26,955	30,885
Provisions	3.8	7,759	12,080
Capital for general banking risk		32,163	32,163
Shareholders' equity	3.9	200,067	207,378
Share capital		30,692	30,692
Reserves		94,692	94,692
Retained earnings carried forward		81,994	60,359
Net income		(7,311)	21,635
Total liabilities		1,194,473	1,760,394

PROFIT AND LOSS ACCOUNT EXANE SA

Financial year ended 31 December 2020

(in thousands of euros)	Note	31/12/20	31/12/19
Interest income	5.1	5,703	5,964
Interest expenses	5.1	(4,732)	(5,896)
Income earned on variable-income securities	5.2	8,889	67,948
Commission income	5.3	181,032	169,133
Commission expenses	5.3	(41,848)	(34,415)
Gain/loss on trading portfolios transactions	5.4	12,130	7,277
Gain/loss on investment portfolios transactions	5.5	(3,270)	1,874
Other operating income	5.6	81,758	76,871
Net banking income		239,661	288,756
Operating expenses	5.7	(175,817)	(184,786)
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets		(4,313)	(5,913)
Gross operating income		59,531	98,057
Gain/loss on non-current assets	5.8	(53,867)	(68,083)
Pre-tax income		5,664	29,974
Corporate income tax	5.9	(12,975)	(8,339)
Net income		(7,311)	21,635

OFF-BALANCE SHEET EXANE SA

Financial year ended 31 December 2020

(in thousands of euros)	Note	31/12/20	31/12/19
Commitments given			
Guarantee commitments	4.1	0	0
Commitments received			
Financing commitments	4.2	1,240,353	733,701

NOTES TO ACCOUNTING DOCUMENTS

Financial year ended 31 December 2020

1. PROFILE

Exane SA is an investment company authorised and supervised in France by the “Autorité de Contrôle Prudentiel et de Résolution”, the French supervisory authority for credit institutions and investment firms. Exane SA provides all investment services in accordance with Book III of the General Regulation of the “Autorité des Marchés Financiers”, the French financial markets regulatory body.

Exane SA mainly serves institutional investors with a range of services, such as Research, sales and execution on European equities.

Evolution of the firm in 2020

The year 2020 was marked by an unprecedented environment and market effects linked to the Covid-19 pandemic. The economic situation in this ongoing epidemic environment still remains uncertain. The firm, as well as each Group company, has taken all appropriate measures to ensure the continuity of its activities.

Post-closing events

Following the Board of Directors' meeting held on 10 March 2021, an exclusive negotiation agreement was signed with BNP Paribas SA relating to a proposed acquisition by BNP Paribas SA of 100% of the shares of Verner Investissements (Exane's controlling holding company).

The completion of this transaction, which is subject to the consultation process with Employees Representatives Bodies, the approval of Verner Investissements' shareholders and the relevant regulatory administrative authorisations, is expected to take several months.

This transaction has no impact on the accounts as at 31 December 2020.

2. ACCOUNTING PRINCIPLES AND METHODS

The financial statements have been prepared in accordance with accounting standards applicable to credit institutions as defined by French regulation ANC n°2014-07 of 26 November 2014.

2.1. RECEIVABLES AND DEBTS DUE FROM / TO CREDIT AND FINANCIAL INSTITUTIONS

This item includes, firstly, balances of accounts held by French and foreign correspondent entities, i.e. credit and financial institutions, stockbrokers, and custodians, resulting from cash flows on overnight securities and cash lending/borrowing, and secondly receivables and debts representing the value of securities borrowed or lent against cash.

2.2. SECURITY TRANSACTIONS AND OTHER FORWARD AND OPTION CONTRACTS

2.2.1. SECURITY TRANSACTIONS

→ Trading securities

Cash equities, UCITS shares and other variable-income and fixed-income securities of the security transactions portfolio are marked to market with the last known quoted price for securities traded on an active and liquid market at the balance sheet date, or in the absence of such a market, at a price given by the Risk Management Department with the use of an internal valuation model. Measurement adjustments are recognised in the profit and loss account under revaluation expense/income.

→ Investment securities

Investment securities in the investment securities portfolio are recorded at acquisition cost. An impairment loss is recognised against the fair value of these securities whenever it falls below book value at balance sheet date.

→ Security lending / borrowing transactions against cash (repurchase agreements)

Securities lent against cash remain on the balance sheet.

Securities borrowed against cash are not recorded as assets on the balance sheet.

However, the cash related to securities lent or borrowed is recorded under “Deposits paid or received on securities lent/borrowed” within the item “Receivables and debts due from/to credit and financial institutions”. Receivables and debts are not valued at fair value at the balance sheet date.

→ Security-backed lending / borrowing

Borrowed securities collateralised by other securities are recorded on the balance sheet under “Shares and other variable-income securities”. The corresponding debt is recorded as a liability under “Debts on security borrowing”. Borrowed securities and debts on security borrowing are marked to market.

→ Equity interests

Equity interests mainly consist of participating interests in issuing companies over whose decision-making body Exane SA has a significant influence. These interests are recorded at acquisition cost.

2.2.2. OTHER FINANCIAL INSTRUMENTS

→ Options

• Organised markets

Call or put premiums on options bought or sold on organised markets are recorded separately in assets and liabilities on the balance sheet. At each balance sheet date, these instruments are measured at the last quoted price published by clearing firms or brokers. Valuation changes are recognised as income or expenses in the profit and loss account.

In order to offset the profit and loss impact of unexplained price discrepancies that may occur at market close, the difference between the last quoted price and the theoretical price of the instrument, which is calculated with the use of an internal model and uniform market parameters for all transactions, is recorded as an unrealised gain or loss. The price is subject to formal approval by the Risk Management Department.

• Over-the-counter markets

Premiums on OTC options are recognised separately in assets and liabilities on the balance sheet. Changes in the value of options are recorded directly in the profit and loss account.

Financial instruments are priced based on internal models in the absence of organised markets. The price is subject to formal approval by the Group’s Risk Management Department.

→ Futures and forwards

• Organised markets

Positive and negative margins arising from settled or unsettled transactions carried out on futures markets are recognised in the profit and loss account.

In order to offset the profit and loss impact of unexplained price discrepancies that may occur at market close, the difference between the last quoted price and the theoretical price of the instrument which is calculated with the use of an internal model and uniform market parameters for all transactions, is recorded as an unrealised gain or loss. The price is subject to formal approval by the Group's Risk Management Department.

• **Over-the-counter markets**

Financial instruments are priced based on internal models in the absence of organised markets. The price is subject to formal approval by the Group's Risk Management Department.

Changes in value are recognised in the profit and loss account.

2.2.3. VALUATION POLICY AND CONTROL

The valuation policy, whether derivatives instruments are listed on an organised market or OTC traded, is validated by the Group's Risk Management Department. The main parameters used for the valuation policy are:

- underlying quotation,
- interest rates,
- volatility,
- dividends estimation,
- correlation.

The portfolio is valued at the last known price for securities traded on an active and liquid market at the balance sheet date or, in the absence of such a market, at a price determined with the use of a valuation model (based on observable or non-observable parameters). All these prices and parameters are checked by the Group's Risk Management and compliant with the existing banking regulations.

2.3. TRADING AND SETTLEMENT ACCOUNTS

Accounts payable and receivable on cash equity market transactions are primarily composed of trading and settlement accounts that record, in euros and at the acquisition price, security transactions on behalf of brokers, financial institutions or banks, for which the settlement remains outstanding.

Purchase and sale accounts used to record euro-denominated transactions with the same counterparty, as well as current accounts, are offset. Purchase and sale accounts used to record foreign currency-denominated transactions with the same counterparty are offset separately.

These accounts are also used to record outstanding coupon/dividend payments with the same counterparties.

2.4. INVESTMENTS IN AFFILIATES

This item comprises shares and other variable-income securities held in affiliated companies.

Securities are recorded at acquisition cost. At period end, a provision for impairment may be applied if the value in use is lower than the cost.

Investments in foreign currencies are converted into euros at the historical exchange rate.

2.5. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Costs arising from the acquisition of tangible and intangible assets are amortised on the basis of their estimated useful life in the company.

The table below shows the different amortisation methods applied by Exane SA as well as the useful life of the assets at 31 December 2020:

Type of assets	Provisions for impairment - Type and period
Software	Straight line 3 years to 8 years
IT and electronics	Straight line 3 years
Telephony systems	Straight line 5 years
Office furniture	Straight line 5 years/lease term
Fixtures	Straight line 5 years/lease term

2.6. RECOGNITION OF INCOME AND EXPENSES

Income and expenses are recorded when they arise.

Fees are recorded at trade date.

Financial assets and liabilities are recognised at their fair value and any changes thereto are reflected in the profit and loss at each balance sheet date.

The total amount of compensation (immediate or deferred) is recorded in full as an expense in the financial year of attribution.

2.7. OFF-BALANCE SHEET

Exane's commitments are recorded off-balance sheet at the commitment value. Off-balance sheet entries reflect rights and obligations that may have an impact on the amount or substance of net assets.

Off-balance sheet commitments comprise commitments given and commitments received, and correspond to:

- financial commitments given to or received from credit institutions or clients,
- guarantee commitments including sureties, endorsements and other guarantees requested by credit institutions or clients or received from credit institutions,
- commitments on securities which are mainly securities to be received and/or to be delivered.

The off-balance sheet value for financial instrument commitments is determined:

- for futures and forwards options at the option's strike price or for credit default swaps at the notional amount,
- for exchange-traded transactions on forward financial instruments at the notional amount.

3. NOTES TO THE BALANCE SHEET

3.1. RECEIVABLES / DEBTS DUE FROM / TO CREDIT INSTITUTIONS

(in thousands of euros)	31/12/20	31/12/19
Deposits paid on security borrowing	98,359	62,114
Short-term loans	47,066	63,636
Demand accounts	84,994	116,399
Total assets	230,419	242,149
Deposits received on security lending	230	1,812
Long-term borrowing	197,641	765,443
Demand accounts	29,287	66,390
Total liabilities	227,158	833,645

The items “Deposits paid and received on securities lent/borrowed” correspond to repurchase agreements and the maturity is less than one year.

Breakdown of debts and receivables due from credit institutions over the remaining term to maturity at 31 December 2020:

(in thousands of euros)	Overnight (excluded) to 1 month	Over 5 years	Total
31 December 2020			
Loans and receivables due from/to credit institutions	230,419		230,419
Debts due to credit institutions	29,517	197,641	227,158
31 December 2019			
Loans and receivables due from/to credit institutions	242,149		242,149
Debts due to credit institutions	68,202	765,443	833,645

3.2. CUSTOMER ITEMS

(in thousands of euros)	31/12/20	31/12/19
Accounts receivable	124,758	699,051
Total assets	124,758	699,051
Accounts payable	160,083	32,201
Total liabilities	160,083	32,201

Customer items correspond to current accounts opened between Exane SA and the Group's various subsidiaries. The maturity of debts and receivables is less than one year.

3.3. EQUITIES AND OTHER VARIABLE-INCOME SECURITIES / DEBT SECURITIES

(in thousands of euros)	31/12/20	31/12/19
Trading portfolio⁽¹⁾	21,496	31,492
• Equities and other variable-income securities	21,496	31,492
Investment portfolio⁽²⁾	17,503	54,419
Total assets	38,999	85,911
Short selling⁽³⁾	8,494	26,975
• Equities and other variable-income securities	8,494	26,975
Total liabilities	8,494	26,975

(1) Securities are MTM-valued and disclosed here net of valuation adjustments.

(2) This portfolio is made up of shares in Exane Asset Management funds amounting to 7.5 million euros, and shares in external funds amounting to 10 million euros.

(in thousands of euros)	31/12/20	31/12/19
Acquisition cost	17,503	54,419
Total investment portfolio	17,503	54,419
Unrealised capital loss	7,548	7,542

(3) Including short positions recorded in Exane's proprietary trading book. Securities are MTM-valued and disclosed here net of valuation adjustments.

3.4. INVESTMENTS IN AFFILIATES AND UNAFFILIATED COMPANIES

(in thousands of euros)	Legal status	Shareholders' equity	2020 income	31/12/19	31/12/19 net	Acquisitions / Creation / Merger	Depreciation	31/12/20
Fully integrated French subsidiaries								
Exane Finance	French SA - stock corporation	6,645	774	5,504	5,504			5,504
Exane Derivatives Gérance	French SA - stock corporation	308	(7)	34	34			34
Exane Derivatives	French SNC - General partnership	15,350	(60,016)	69,037	0	70,000	(123,687)	15,350
Exane Participations	French SNC - General partnership	1		1	1			1
Ellipsis Asset Management	French SA - stock corporation	7,458	(1,191)	8,516	8,516			8,516
Exane Solutions Luxembourg	Luxembourg SA - stock corporation	20	(10)			30		30
French subsidiaries held at 50% to 100%								
Exane Asset Management	French SAS	70,452	18,596	5,717	5,717	1,711		7,428
Fully integrated foreign subsidiaries								
Exane Incorporated	Incorporation	25,687	6,361	4,346	4,346			4,346
Other long-term securities								
				1,780	1,780	(150)		1,630
Total assets		125,921	(35,493)	94,935	25,898	71,591	(123,687)	42,837

Exane SA increased its investment in Exane Derivatives SNC in July and in October 2019 for a total of 50 million euros. In May 2020, Exane SA made a third increase in its investment for an amount of 40 million euros. A fourth increase has been made in 26 November 2020 for an amount of 30 million euros.

As a result of the losses made by the company and in accordance with the accounting standards, the book value of the shares has been reduced to the value-in-use.

In September 2019, Exane SA acquired for 8.5 million euros the 230,729 shares held by Exane Derivatives in the management company Ellipsis AM.

3.5. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	31/12/20			31/12/19
	Gross value	Amortisation and provisions	Net value	Net value
IT and electronics	22,896	21,623	1,274	2,049
Furniture, fixtures and telephony systems	26,245	20,626	5,619	6,932
Total property, plant and equipment	49,142	42,249	6,893	8,981
Software	24,251	(19,661)	4,590	5,431
Other intangible assets	1,987	(1,910)	77	77
Total intangible assets	26,237	(21,571)	4,666	5,507
Total property, plant, equipment and intangible assets	75,379	20,678	11,559	14,488

3.6. OTHER ASSETS AND LIABILITIES

(in thousands of euros)	31/12/20	31/12/19
Collaterals ⁽¹⁾	114,540	86,822
Tax assets	54	47
Deposits and guarantees	6,521	26,158
Accrued commissions ⁽²⁾	28,401	20,879
Other assets ⁽³⁾	28,810	24,912
Total assets	178,326	158,818
Social liabilities	113,595	107,868
Tax liabilities	18,608	14,740
Suppliers	522	3,437
Other liabilities ⁽⁴⁾	13,392	10,718
Total liabilities	146,117	136,764

(1) The collaterals are mainly call deposits held as collaterals with clearing houses and third parties.

(2) This item represents outstanding commissions on primary market transactions.

(3) The other assets are mainly security transaction receivables, coupons, dividends and withholding taxes.

(4) The other liabilities are mainly security transaction taxes (French Financial Transaction taxes) for 7.6 million euros and Commission Sharing Agreements for 2.1 million euros.

3.7. NET ACCRUED INCOME AND EXPENSES

(in thousands of euros)	31/12/20	31/12/19
Debtor adjustment accounts ⁽⁵⁾	5,950	5,894
Accrued income ⁽⁶⁾	16,045	24,611
Prepaid expenses	3,319	5,024
Total assets	25,314	35,529
Creditor adjustment accounts ⁽⁵⁾	4,528	6,634
Accrued expenses ⁽⁷⁾	21,722	23,872
Deferred income	705	380
Total liabilities	26,955	30,885

(5) Most adjustment accounts represent market transactions currently being settled, i.e technical, breakdown, and OTC reference accounts.

(6) Income receivables correspond to BNP Paribas Research invoicing (Paris and London).

(7) Accrued expenses are mainly general operating expenses.

3.8. PROVISIONS

(in thousands of euros)	31/12/19	New provisions	Write-off	31/12/20
Provisions	12,080	1,890	6,211	7,759

Provisions include provisions for employee benefit obligations (retirement commitments, retirement indemnities) and other long-term benefits (long-term awards), as well as other provisions relating to various other potential risks.

The amount recognised represents the best estimate of the expense needed to settle the obligation.

The commitments related to employee benefits are measured on the basis of actuarial, financial, and demographic assumptions, and probability that employees will leave before retirement age, salary inflation, and social security taxes.

The amount of the employee benefit provision is discounted at each balance sheet date.

Exane SA calculated the amount of its commitment towards its employees, present in the firm and under employment contract at 31 December 2020, with the following assumptions:

Actuarial assumptions	31/12/20	31/12/19
Discount rate	0.35%	0.78%
Average rate of increase in salary	6% maximum declining with time	6% maximum declining with time
Retirement age	65 years old	65 years old
Labour turnover rate	8.55% declining with time	6.03% declining with time
Employers' contributions	52.50%	52.50%

3.9. SHAREHOLDERS' EQUITY

(in thousands of euros)	31/12/19	Appropriation of 2019 income and dividend	2020 net income	31/12/20
Capital	30,692			30,692
Additional paid-in capital	10,787			10,787
Legal retained earnings	3,069			3,069
Discretionary retained earnings	80,836			80,836
Balance brought forward	60,359	21,635		81,994
2019 net income	21,635	(21,635)		0
2020 net income			(7,311)	(7,311)
Total	207,378	0	(7,311)	200,067

Equity breaks down as follows:

	31/12/20		31/12/19	
	Number of shares	% Capital	Number of shares	% Capital
Verner Investissements	180,539	100%	180,539	100%
Others	1	0%	1	0%
Total	180,540	100%	180,540	100%

Ordinary shares have a notional value of 170 euros each.

4. NOTES TO THE OFF-BALANCE SHEET

4.1. GUARANTEE COMMITMENTS

There are no guarantee commitments at 31 December 2020.

4.2. FINANCING COMMITMENTS

This item mainly comprises financing commitments given in respect of credit facilities established with BNP Paribas.

4.3. COMMITMENTS ON FORWARD AND OPTION CONTRACTS

The following table details Exane's commitments on forward and option contracts at 31 December 2020.

The commitments shown in the table should only be considered as indicators of the Company's activity on financial markets, and are presented wholly on a nominal basis. Therefore, they do not reflect risks on the markets.

Exane holds positions in futures markets which are managed within its own investment portfolio.

The breakdown by residual maturity is as follows:

(in thousands of euros)	31/12/20		31/12/19	
	Total	0 to 1 yr	Total	0 to 1 yr
Futures and forwards	1,409,533	1,409,533	409,962	409,962
Organised markets	13,677	13,677	9,984	9,984
Equity index instruments	13,677	13,677	9,984	9,984
Over-the-counter markets	1,395,856	1,395,856	399,978	399,978
Index swaps and equity swaps			9,294	9,294
Equity security swaps		1,395,856	375,000	375,000
Foreign exchange contracts			15,684	15,684
Total	1,409,533	1,409,533	409,962	409,962

4.4. COMMITMENTS ON SECURITIES

There are no commitments on securities as at 31 December 2020.

4.5. RISK MANAGEMENT

4.5.1. FINANCIAL RISKS CONTROL FRAMEWORK

The Risk Management Department reports directly to the Deputy Chief Executive Officer of the Group. Its main tasks comprise:

Market risk:

- defining and measuring risk indicators,
- setting limits, monitoring overruns, managing overrun approval,
- validating pricing models,
- validating products and their description in the management system,
- validating valuation parameters,
- calculating and monitoring own funds requirements regarding market risk (based on the standard approach).

Counterparty risk:

- validating any entry into business relations with any new third party (principal, introducing broker, distributor, OTC counterparty, etc.),
- assigning an internal rating,
- monitoring commitments and limits on a daily basis,
- calculating and monitoring own funds requirements regarding counterparty risk (based on the standard approach).

Liquidity risk:

- daily monitoring cash consumption by activities,
- defining and monitoring risk indicators,
- control of the internal buffer of liquidity and liquidity assets.

For all financial risks, the Risk Management Department reports its activities and the results of its controls to the Group Management Risk Committee, the Executive Committee and the Board of Directors.

→ Market risk:

Five market risk measurement processes are carried out daily:

- a calculation of capital requirements according to the standard method defined in the banking regulations,
- a calculation based on a proprietary stress scenario model called Internal Capital Allowance (ICA),
- a normal Value-at-Risk and a stressed Value-at-Risk each calculated on a panel of 250 scenarios of daily changes in market parameters according to the internal model,
- historic and hypothetical stress scenarios meeting the requirements of an internal model,
- a wide range of (Greek) sensitivity measures evaluated against the various market parameters.

The ICA uses the worst-case scenario for each area studied, based on sudden changes, whether simultaneous or not, in interest/exchange rates, the price of underlying assets, volatility, credit, correlations and dividends. Asset decorrelation risk is also included in these calculations.

→ Credit / counterparty risk:

Credit risk exists with all of the Group's positions in equity instruments and debt instruments through issuer risk. These positions are subject to market risk limits.

Counterparty risk is generated by:

- OTC hedging transactions with banks,
- OTC transactions with clients with special internal agreements,
- swaps to hedge structured products which are issued by external institutions; these transactions are entered into with highly rated financial organisations,
- security lending/borrowing related to trading and brokerage activities,
- security transactions with settlement free of payment under the facilitation activity.

Each position has an internal limit on the total exposure to issuer risk and counterparty risk. Counterparty risk comprises current and potential risk estimated using the same scenarios as those used in the ICA.

→ Settlement risk:

Settlement risks arise from the Group's Cash Equities and Equity Derivatives businesses. The Risk Management Department carries out a calculation of the following risks every day:

- a specific risk over one, two and three days for a given counterparty and a given security to be settled/delivered,
- a general risk over one, two and three days calculated on all of the transactions to be settled for a given third party.

A limit is assigned with respect to the specific risk and general risk based on the internal credit rating of the third party.

→ Liquidity risk:

Liquidity and refinancing risk is monitored as part of the liquidity policy approved by Management. The objective is to maintain sufficient available resources, in particular through the available part of the BNP Paribas financing line, in order to cover the business activities requirements and to deal with any liquidity crisis.

In 2018, the Group modified its regulatory approvals in order to carry out all its activities as investment firms. Henceforth, the requirement for a regulatory buffer of liquid assets in accordance with the CRR (compliance with a LCR ratio greater than 100%) is no longer applicable to the Group.

However, the Group has a control framework governed by a liquidity risk tolerance policy in accordance with CRD IV:

- internal liquidity buffer; liquid asset buffer equal to three months of fixed overheads and the available part of financing lines,
- limits on cash flow indicators and cash consumption by business lines,
- financial management committee overseeing liquidity management.

4.5.2. OPERATIONAL RISKS CONTROL FRAMEWORK

The Permanent Control and Operational Risk process is managed by the Coordinator of Group Permanent Control, reporting to the Deputy Chief Executive Officer of Exane SA, in charge of central support functions.

This process relies on Operational Risk Correspondents within each of the Group's business lines and functions, and has the following missions:

- to ensure the consistency, completeness and effectiveness of the permanent control process relating to non-financial risks, in particular in connection with Compliance and IT Security Departments;
- to monitor operational risk processes at a Group level.

These missions are achieved by:

- maintaining the processes/risks/controls mapping in accordance with the defined methodology;
- checking the adequacy, supporting documentation and correct functioning of control processes, and analysis and monitoring anomalies found;
- analysing the operational incidents report;
- coordinating the follow-up of essential services providers;
- validating, monitoring and closing the related control action plans;
- reporting its activity and the results of its controls to the Group Management Risk Committee, the Executive Committee and the Board of Directors and its Risks Committee.

The Exane Group applies the standard approach for the calculation of own funds requirements regarding operational risk and is compliant with the qualitative requirements linked to this option through the process described above.

5. NOTES TO THE PROFIT AND LOSS ACCOUNT

5.1. NET INTEREST INCOME

This item breaks down as follows:

(in thousands of euros)	31/12/20	31/12/19
Deposits paid related to borrowed securities	36	95
Demand accounts	5,666	5,869
Total income	5,703	5,964
Deposits received related to lent securities	907	1,011
Borrowings	2,548	3,312
Demand accounts	1,277	1,573
Total expenses	4,732	5,896

5.2. INCOME EARNED ON VARIABLE-INCOME SECURITIES

This income corresponds to the dividends received from the subsidiaries of Exane SA.

5.3. COMMISSION INCOME AND EXPENSES

This item breaks down as follows:

(in thousands of euros)	31/12/20	31/12/19
Security transactions	151,275	147,608
Forward and option contracts	1,031	655
Primary market	28,727	20,870
Total income	181,032	169,133
Security transactions	38,019	32,431
Cash transactions	3,672	1,812
Forward and option contracts	131	126
Distribution fees	26	46
Total expenses	41,848	34,415

Commissions on security transactions mainly consist of execution fees and Research incomes (Paris and London).

5.4. GAIN / LOSS ON TRADING PORTFOLIOS TRANSACTIONS

This item comprises gains and losses on:

- trading securities,
- forward and option contracts,
- foreign exchange.

5.5. GAIN / LOSS ON INVESTMENT PORTFOLIOS TRANSACTIONS

This item consists of capital gains and unrealised losses in Exane Asset Management funds.

5.6. OTHER OPERATING INCOME AND OPERATING EXPENSES

(in thousands of euros)	31/12/20	31/12/19
Research service	66,018	66,132
Execution and clearing fees	15,182	10,635
Other recharges	558	103
Total other operating income	81,758	76,871

The Research service item mainly comprises of the billing of analysis and Research services.

Other recharges consist of the expenses the Group recharges its affiliates.

5.7. OPERATING EXPENSES

5.7.1. SALARY AND EMPLOYEE BENEFIT EXPENSES

This item breaks down as follows:

(in thousands of euros)	31/12/20	31/12/19
Fixed and variable remuneration	107,782	111,675
Employee benefits	1,119	(322)
Social security taxes	30,138	29,864
Profit-sharing	2,010	1,291
Total	141,049	142,508

The average number of staff in Exane SA has evolved as follows:

Number of people employed	31/12/20	31/12/19
Executives	474.8	488.2
Supervisors	11.7	15.8
Employees	35.7	32.1
Total	522.2	536.1

5.7.2. OTHER OPERATING EXPENSES

(in thousands of euros)	31/12/20	31/12/19
Office rent, database, market data	31,444	32,006
Sub-contracted IT services	7,061	8,892
Fees	3,736	4,070
Travel and entertainment expenses	1,560	6,190
Other taxes	3,819	3,880
Intragroup invoices	(28,479)	(28,341)
Other expenses	15,627	15,580
Total	34,768	42,278

5.8. GAIN / LOSS ON FIXED ASSETS

This item mainly records the impairment of the equity shares of Exane Derivatives. In accordance with the accounting standards and as a result of the losses incurred, the book value of the shares has been reduced to the value-in-use as at 31 December 2020.

5.9. CORPORATE INCOME TAX

The French corporate income tax includes all taxes calculated on net income.

The tax payable is the amount of tax calculated on taxable income at 31 December 2020.

6. SEGMENT INFORMATION

6.1. BREAKDOWN OF REVENUES

(in millions of euros)	31/12/20	31/12/19
France	116	173
of which merger surplus		48
United Kingdom	124	116
Total	240	289

6.2. BREAKDOWN OF OPERATING EXPENSES

(in millions of euros)	31/12/20	31/12/19
France	80.9	85.2
United Kingdom	99.2	105.5
Total	180.1	190.7

7. CASH-FLOW STATEMENT

(in thousands of euros)	31/12/20	31/12/19
Operating activities		
Pre-tax net income	5,664	29,974
Non-monetary items included in pre-tax net income and other adjustments	4,313	5,913
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	4,313	5,913
Net income or loss from financing activities	0	0
Net increase/decrease in cash related to assets and liabilities generated by operating activities	603,141	(381,687)
Net increase/decrease in cash related to transactions with customers	595,876	(473,822)
Net increase/decrease in cash related to transactions involving other financial assets and liabilities	24,561	94,911
Net increase/decrease in cash related to transactions involving non-financial assets and liabilities	(4,321)	5,563
Taxes paid	(12,975)	(8,339)
Net increase/decrease in cash and equivalents generated by operating activities	613,117	(345,800)
Investing activities		
Change in equity investments	(16,940)	11,523
Net increase/decrease related to property, plant and equipment and intangible assets	(1,384)	(4,405)
Net increase/decrease in cash and equivalents generated by investing activities	(18,324)	7,118
Financing activities		
Net increase/decrease in cash and equivalents related to transactions with shareholders	0	(38,351)
Net increase/decrease in cash and equivalents generated by other financing activities	0	0
Net increase/decrease in cash and equivalents generated by financing activities	0	(38,351)
Net increase/decrease in cash and equivalents	594,794	(377,034)
Balance of cash and equivalent accounts at the beginning of the period		
Cash and amounts due from central banks and post office banks	84,493	9
Demand deposits/loans with/from credit institutions	(591,496)	(129,978)
Balance of cash and equivalent accounts at the end of the period		
Cash and amounts due from central banks and post office banks	84,530	84,493
Demand deposits/loans with/from credit institutions	3,261	(591,496)
Net increase/decrease in cash and equivalents	594,794	(377,034)

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

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

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

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

To annual general meeting of Exane SA,

OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Exane SA for the year ended December 31, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

BASIS FOR OPINION

Audit Framework

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

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

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (Code de Commerce) and the French Code of Ethics (Code de Déontologie) for statutory auditors, for the period from January 1st, 2020 to the date of our report.

JUSTIFICATION OF ASSESSMENTS

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organisation and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

Impairment of investment securities and investments in affiliates

- As described in Note 2.2.1 “Security transactions” to the financial statements, your company determines whether it is necessary to record provisions for impairment with respect to investment securities depending on their market value,
- As described in Note 2.4 “Investments in affiliates” to the financial statements, your company determines whether it is necessary to record provisions for impairment with respect to shares and other variable-yield investments held in affiliated entities depending on the changes in the share held in the accounting net assets or the value in use.

As part of our assessment of these estimates, we have examined the monitoring and review procedures implemented in respect of these investment securities, shares and other variable-yield investments held in affiliated entities leading to the determination of the necessary level of impairment.

Valuation of financial instruments

As described in Note 2.2.2 “Other financial instruments” to the financial statements, your company uses internal models to value its financial instruments which are not traded on active markets. Our procedures consisted in reviewing the control framework of the models used, assessing the data and assumptions used, and ensuring that the risks and results related to these financial instruments have been taken into account.

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

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D.441-6 of the French Commercial Code.

Information relating to corporate governance

We attest that the Board of Directors’ report on corporate governance, sets out the information required by article L.225-37-4 of the French Commercial Code.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The financial statements were approved by the Board of Directors.

STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As specified in article L.823-10-1 of the French Commercial Code (Code de Commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

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

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Paris-La Défense, March 12, 2021

The Statutory Auditors

French original signed by

Mazars

Gilles DUNAND-ROUX

Deloitte & Associés

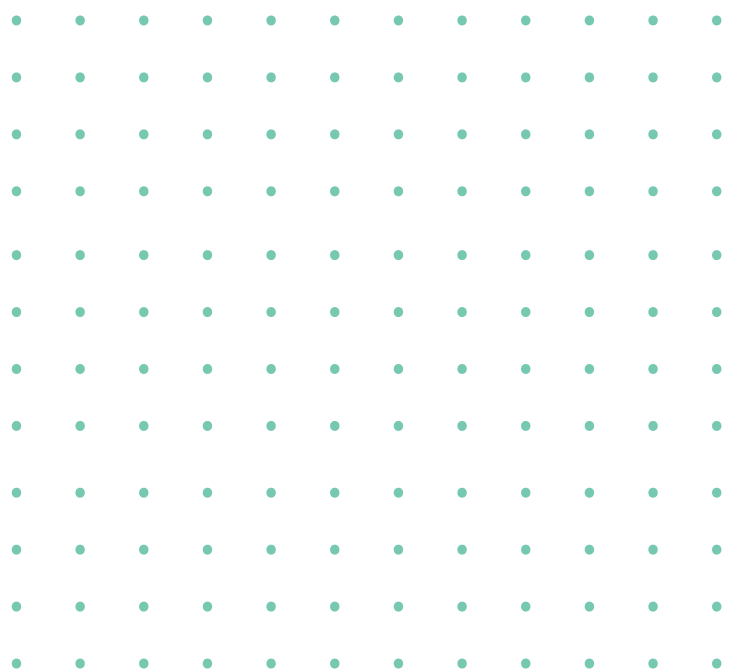
Charlotte VANDEPUTTE



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EXANE

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