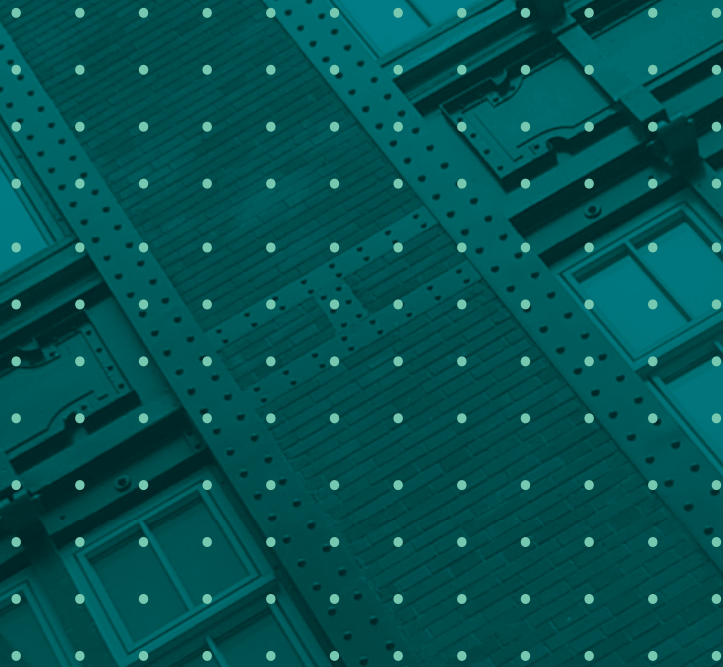
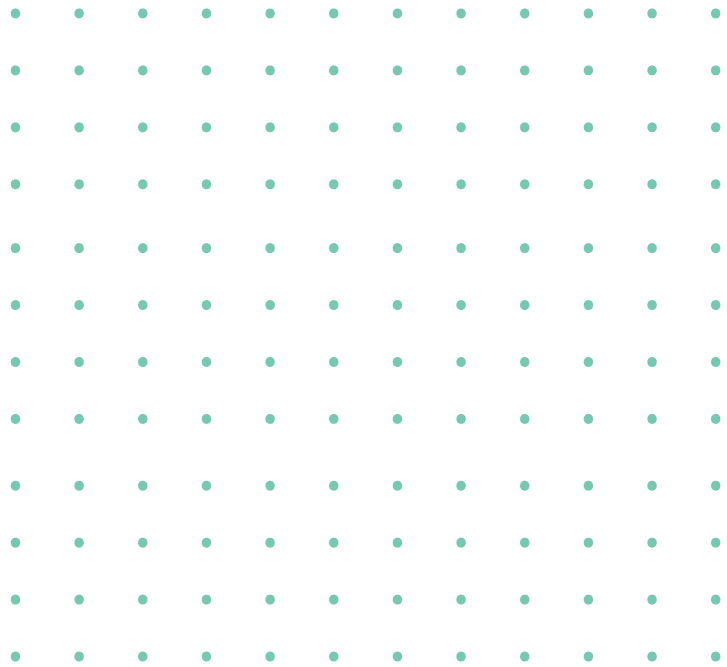


EXANE



FINANCIAL
STATEMENTS
2019



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ANNUAL FINANCIAL
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EXANE SA





ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEET

Financial year ended 31 December 2019

Assets (in thousands of euros)	Note	31/12/19	31/12/18
Cash and amounts due from central banks and post office banks		84,495	11
Financial assets at fair value through profit or loss	5.1	4,172,254	3,681,520
Loans and receivables due from credit institutions (at amortised cost)	5.2	552,115	1,202,582
Current and deferred tax assets	5.3	62,282	51,906
Accrued income and other assets	5.4	932,372	1,006,095
Property, plant and equipment	5.5	45,543	11,514
Intangible assets	5.5	8,341	9,589
Total assets		5,857,402	5,963,217

Liabilities and equity (in thousands of euros)	Note	31/12/19	31/12/18
Financial liabilities at fair value through profit or loss	5.1	3,268,631	3,918,659
Due to credit institutions (at amortised cost)	5.2	1,280,126	790,554
Current and deferred tax liabilities	5.3	19,469	27,907
Accrued expenses and other liabilities	5.4	876,175	815,844
Provisions	5.6	46,576	34,761
Total liabilities		5,490,977	5,587,725

Share capital and additional paid-in capital		40,690	40,690
Retained earnings		290,978	291,005
Change in assets and liabilities recognised directly in equity		(2,375)	(2,046)
Net income for the period		21,972	30,130
Total shareholders' equity	5.7	351,265	359,779
Minority interests		15,160	15,713
Total equity		366,425	375,492
Total liabilities and equity		5,857,402	5,963,217

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Financial year ended 31 December 2019

(in thousands of euros)	Note	31/12/19	31/12/18
Interest income	6.1	54,758	62,109
Interest expenses	6.1	(23,485)	(45,743)
Commission income	6.2	281,233	304,848
Commission expenses	6.2	(73,973)	(76,982)
Net gain/loss on financial instruments at fair value through profit or loss	6.3	55,938	59,996
Income from other activities	6.4	52,746	52,404
Expenses on other activities	6.4	(864)	(887)
Net banking income		346,352	355,745
Operating expenses	6.5	(291,220)	(300,108)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	6.6	(17,635)	(8,678)
Gross operating income		37,497	46,960
Net gain/loss on other assets	6.7	0	1
Pre-tax income		37,497	46,960
Corporate income tax	6.8	(11,518)	(11,808)
Consolidated net income		25,979	35,152
Minority interests		(4,008)	(5,023)
Net income - Group share		21,972	30,130
Basic earnings per share (euros)		121.7	166.89

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

Financial year ended 31 December 2019

(in thousands of euros)	31/12/19	31/12/18
Net income attributable to equity shareholders (1)	21,972	30,130
Changes in value of employee benefits obligations	(406)	(27)
Profit and loss generated by sale of consolidated shares without loss of control	76	7
Other changes in shareholders' equity	(47)	0
Total gain/loss directly in equity and attributable to equity shareholders (2)	(377)	(20)
Net income and gain/loss directly in equity, attributable to equity shareholders	25,979	35,132
Net income and gain/loss directly in equity, minority interests	(4,008)	(5,023)
Total net income and gain/loss recognised directly in equity (1+2)	21,595	30,109
For information: amount transferred in retained earnings	0	4,086

Amounts are displayed net of tax.

CASH-FLOW STATEMENT

Financial year ended 31 December 2019

(in thousands of euros)	31/12/19	31/12/18
Operating activities		
Pre-tax net income	37,497	46,960
Non-monetary items included in pre-tax net income and other adjustments	29,336	10,564
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	17,635	8,678
Net addition to provisions	11,815	2,099
Net income or loss from financing activities	(114)	(212)
Net increase/decrease in cash related to assets and liabilities generated by operating activities	(1,037,594)	525,516
Net increase/decrease in cash related to transactions with credit institutions	(25,759)	(4,649)
Net increase/decrease in cash related to transactions with customers	84,975	(19,504)
Net increase/decrease in cash related to transactions involving other financial assets and liabilities	(1,140,762)	473,654
Net increase/decrease in cash related to transactions involving non-financial assets and liabilities	55,469	87,823
Taxes paid	(11,518)	(11,808)
Net increase/decrease in cash and equivalents generated by operating activities	(a) (970,761)	583,041
Investing activities		
Net increase/decrease related to property, plant and equipment and intangible assets	(50,416)	(6,423)
Net increase/decrease in cash and equivalents generated by investing activities	(b) (50,416)	(6,423)
Financing activities		
Net increase/decrease in cash and equivalents related to transactions with shareholders	(34,493)	(31,851)
Net increase/decrease in cash and equivalents generated by other financing activities	0	(100,000)
Net increase/decrease in cash and equivalents generated by financing activities	(c) (34,493)	(131,851)
Net increase/decrease in cash and equivalents	(a+b+c) (1,055,670)	444,766
Balance of cash and equivalent accounts at the beginning of the period		
Cash and amounts due from central banks and post office banks	(d) 11	25,716
Demand deposits/loans with/from credit institutions	(e) 412,507	(57,964)
Balance of cash and equivalent accounts at the end of the period		
Cash and amounts due from central banks and post office banks	(f) 84,495	11
Demand deposits/loans with/from credit institutions	(g) (727,647)	412,507
Net increase/decrease in cash and equivalents	(f+g)-(d+e) (1,055,670)	444,766

CHANGES IN SHAREHOLDERS' EQUITY

From 1 January 2018 to 31 December 2019

	Capital and retained earnings		Share premiums 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	9,997							
Capital and retained earnings at 1 January 2018	30,693	9,997	287,077	2,061	26,649	356,477	18,247	374,724	
Appropriation of net income for 2017			26,649		(26,649)			0	
Dividends paid			(26,747)			(26,747)	(7,290)	(34,037)	
Movements related to shareholders' items			(98)		(26,649)	(26,747)	(7,290)	(34,037)	
IFRS 9 first application			4,086	(4,086)					
2018 net income					30,130	30,130	5,023	35,153	
Actuarial gains and losses related to defined pension plans				(28)		(28)		(28)	
Other movements			(60)	7		(53)	(267)	(320)	
Capital and retained earnings at 31 December 2018	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)			0	
Dividends paid ⁽¹⁾			(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						0	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	

(1) Dividend paid incorporate 2018 dividends paid in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended 31 December 2019

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, Exane’s Cash Equities Department offers all services of Research, sales, execution and ECM 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 derivative 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 equity underlying.

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

Ixios Asset Management, a subsidiary of Exane Derivatives and authorised in France by the AMF, offers 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 of the Group, hereafter referred to as the Consolidated Financial Statements, were approved by the Board of Directors on 16 April 2020.

Evolution of the Group in 2019

On 8 March 2019, Exane SA and its subsidiary in London, Exane Limited (100% owned), carried out a simplified cross-border merger by way of absorption, retroactive to 1 January 2019. This merger resulted in the transfer of all assets and liabilities of Exane Limited to Exane SA by universal transfer of assets. At the same time, Exane SA opened a branch in London under the name of Exane SA London Branch and transferred to it the assets and liabilities received from Exane Limited. All the activities carried out by Exane Limited shall be continued by the branch opened in London, subject to any modification resulting from the legal and regulatory regime applicable from Brexit.

Located in the United Kingdom and Continental Europe, the Group has ensured the resilience of its activities to a hard Brexit situation. The current structure makes it possible to address a large number of topics and adapt to Brexit. The impacts for the Group are not major.

Post-closing events

Between 31 December 2019, the year-end date, and 16 April 2020, when the Board of Directors approved the accounts, the coronavirus health crisis occurred. The economic situation in the current epidemic environment remains uncertain. The Exane Group has taken all appropriate measures to ensure the continuity of its activities.

2. ACCOUNTING PRINCIPLES AND METHODS

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

2.1. APPLICABLE ACCOUNTING STANDARDS (INTERNATIONAL FINANCIAL REPORTING STANDARDS – IFRS)

The consolidated financial statements have been prepared in accordance with International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted for the use in the European Union (EU) and applicable at 31 December 2019.

The Group has not anticipated the application of new standards, amendments adopted by the European Union (EU) when the application in 2019 is optional.

The Exane Group has chosen not to apply the following new and revised IFRS standards earlier than 1 January 2018:

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

Implementation of IFRS 9 and IFRS 15 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 2019 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.

Units in internal funds previously at fair value per option as well as units in external funds previously in AFS are valued at fair value per result under IFRS 9.

Loans and receivables, amounts due to credit institutions and security lending/borrowing transactions remain 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, simplified method has been applied to measure expected credit losses without impact for the Group. Indeed, 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.

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

IFRS 15 defines a single model for recognizing 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 recognized 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 recognized in profit and loss if it is likely that the amounts recorded will not give rise to a significant downward adjustment.

New major accounting standard published applicable from 1 January 2019

→ **IFRS 16 Leases**

IFRS 16 “Leases”, issued in January 2016, replaces IAS 17 “Leases” and its interpretations relating to the recognition of such contracts as of 1 January 2019.

The Group has chosen to use the simplified retrospective method, which allows, among other things, not to restate past financial information and to recognize the right of use at the date of the first application of the standard.

The Group used the main simplification measures provided for in the standard, in particular the absence of recognition of a right of use for contracts for low-value and short-term assets at the date of first application and for applying the provisions of the standard to contracts identified as leases in accordance with IAS 17 and IFRIC 4.

The first application of IFRS 16 has no impact on shareholders’ equity, with the Group having opted for a right of use that is equal to the amount of the rental debt.

The new definition of leasing contracts involves the identification of an asset and the lessee’s control of the right to use that asset.

For the lessee, the standard requires the recognition in the balance sheet of all leases in the form of a right of use over the leased asset, recorded in the fixed assets and the liability for the recognition of a financial debt of the rent and other payments to be made during the lease term. The right of use is amortised on a straight-line basis and the financial debt reduced actuarially over the term of the lease.

The application of the standard results in an increase in lease-related assets and liabilities that were previously accounted for as operating leases. This impact comes exclusively from operating real estate leases (offices, head office) in France and abroad.

In addition, the income statement is impacted by the replacement of rents previously accounted for on a straight-line basis in general expenses mainly by an increase in depreciation and amortisation charges and, secondarily, by the increase in interest expense (on rental debts).

The discount rates applied to lease obligations are the marginal rates of borrowing over the remaining lease term.

The impacts on the financial statements of IFRS 16 are presented in section 5.5.

2.2. PRESENTATION OF FINANCIAL STATEMENTS

Exane uses the templates for financial statements recommended by ANC (no.2017-24 of 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 2019, 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 a basic debt financial assets (non-compliance with sole 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.

Derivative 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 financial year closing, 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 financial year closing, 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 the 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.

→ 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 that underlines a residual interest in a company after deducting 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 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

Derivative 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, a rate of exchange, 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 financial year closing, 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 Group's Risk Management Department for formal approval.

→ 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 at inception. 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 fixed-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 booked in the profit and loss account of the period, which they are incurred. Expenses increasing the future economic advantages 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 2019.

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 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 different companies in the Group are the lessees.

Leases entered into by the Group, with the exception of contracts with a duration of up to 12 months and low-value contracts, are recognised in the balance sheet under assets as rights of use and liabilities as financial debts related to rents and other related payments during the term of the lease. The right of use is amortised on a straight-line basis and the financial debt is actuarially amortised over the term of the lease.

The main assumptions used in the valuation of the rights of use and lease debts are as follows:

- the lease terms correspond to the non-cancellable period of the contracts, supplemented if necessary by the renewal options, the exercise of which is considered reasonably certain;
- the discount rates used to calculate the right of use and the lease debt are determined for each asset according to the lessees' marginal debt rate at the date of signature.

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. However, no deferred taxes are recorded when arising from the initial recognition of an asset or a liability relating to transactions, except for a business combination which, at the transaction date, affects neither the book value nor the taxable income.

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 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, a control which 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 and IAS 28 and 31, based on the type of control Exane has over the entities that can be consolidated.

→ 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 in 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 their 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 or above 50% 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 2019.

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 this 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.

A deferred tax on the treatment is recognised 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 2019 is as follows:

Companies	Country	Method	31/12/19		31/12/18	
			% of interest	% of capital	% of interest	% of capital
Exane SA	France	IG	100	100	100	100
Exane Derivatives	France	IG	100	100	100	100
Exane Asset Management	France	IG	75,5	75,5	76,5	76,5
Exane Asset Management Luxembourg*	Luxembourg	IG	-	-	76,5	100
Exane Derivatives Gérance	France	IG	100	100	100	100
Exane Finance	France	IG	100	100	100	100
Ellipsis Asset Management	France	IG	100	100	100	100
Ellipsis Asset Management Suisse	Switzerland	IG	100	100	100	100
Ixios Asset Management**	France	IG	100	100	-	-
Exane Participations	France	IG	100	100	100	100
Exane Limited***	United Kingdom	IG	-	-	100	100
Exane Incorporated	USA	IG	100	100	100	100

* Closing of Exane Asset Management Luxembourg.

** Set up of Ixios Asset Management (new asset management firm).

*** Merger of Exane Limited by Exane SA.

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 permanently updated, are grounded on historical data and on other factors, in particular anticipating future events that are considered reasonable in the light of 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 uses 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. They 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 approval of the Group’s Risk Management Department.

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 helps 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 structuration),
- Asset Management with its subsidiaries Exane Asset Management, Ellipsis Asset Management and Ixios Asset Management,
- and the holding department which invests in internal (Seed Money) and external funds, and is managing the treasury management and liquidity and the equity capital.

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 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,
- controlling internal liquidity buffer and liquidity assets.

The Risk Management Department performs for all the financial risks, the reporting of its activity and results of its controls to Management Risk Committee Group, Executive Committee and 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 an 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 300 scenarios of daily changes of market parameters in 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 mainly undertaken by the Exane Derivatives entity.

They are organized in product lines to articulate around the following five activities:

- Options activity: market making on European equity and index options (options, swaps, dispersion trading, instrument based on a repurchase (repo) with option, or any other combination);

- Delta One activity: market making of Delta One derivatives including: security lending/borrowing, total return swap, repo activity, forward/futures on index (including based on sector) and on dividends, Exchange of Futures for Physicals. It provides:
 - prices to clients on demand for all those instruments,
 - indicative buy and sell prices (on a continuous basis and firm on request) for contribution,
 - firm quotation on a continuous basis on electronic platforms,
 - market-making on Inter-Dealer Broker (IDB) on demand for brokers;
- Security lending/borrowing: management of security and cash stock for the Group through settlement risk hedging, regulatory requirements on short sales through security lending/borrowing and monitoring and coverage of refinancing needs of the Group thanks to financing operations;
- Convertible: market making of some convertible bonds;
- Structured products activity: quotation on primary and secondary market for Exane Derivatives' clients of structured products on equity, equity indices, funds, interest rates, foreign exchange, credit, commodities and any hybrid product among those assets. This business line also quotes structured products on proprietary indices.

These activities are intended to generate a placement and trading margin by minimising the exposure of the positions taken to market factors by using very dynamic and proactive management of the risks.

→ Cash Equity Sales and Execution

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

The main activities are:

- “High touch” trading collects electronically or by voice the orders from the customers. Traders deal with execution using mostly internal execution algorithms;
- Electronic trading collects electronically the orders from the customers. These orders will be automatically executed on the market or via execution algorithms, based on instructions predefined by the client;
- Program trading collects the orders on equity baskets and handled execution mainly using internal execution algorithms.

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

The objective of these activities is to generate execution fees by minimizing losses on positions taken in the context of liquidity offerings to clients.

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

Investment is done:

- mainly in Seed Money in alternative management funds managed by Exane Asset Management or in funds managed by Ellipsis Asset Management or Ixios Asset Management. Seed Money is risk-monitored by the Risk Management Department with all risk indicators directly calculated based on the assets making up the fund; and,
- in some external funds (1 as at 31 December 2019).

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

4.1.2. CREDIT / COUNTERPARTY RISK

Credit risk exists in 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;
- by OTC transactions with clients with special internal agreements;
- by swaps to hedge structured products which are issued by external institutions; these transactions are entered into with highly rated financial organisations;
- by security lending/borrowing related to trading and brokerage activities;
- by 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. The Group has changed its calculation method of exposure to counterparty risk and now resorts to ICA principles.

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

→ Derivative transactions

The total amount of notional derivative transactions represents 55,418 million euros as at 31 December 2019.

The notional amount of derivatives reflects only 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)	31/12/19				31/12/18			
	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	14,094,125	9,331,450	4,590,427	172,248	18,096,847	10,895,539	6,862,369	338,940
Organised markets	10,109,488	7,132,522	2,973,456	3,509	13,206,156	8,659,303	4,538,309	8,544
Interest rate instruments	6,807,631	3,866,972	2,940,660		10,584,342	6,095,153	4,482,189	7,000
Interest fixed rate instruments (bonds)					17,700	17,700		
Equity index instruments	1,972,808	1,945,065	24,234	3,509	1,542,277	1,507,188	33,545	1,544
Single stock-based instruments	1,323,170	1,314,607	8,563		1,050,159	1,028,047	22,112	
Commodities-based instruments	5,878	5,878			11,678	11,214	464	
Over-the-counter markets	3,984,638	2,198,928	1,616,971	168,739	4,890,692	2,236,237	2,324,059	330,396
Equity index swaps	999,189	566,579	420,610	12,000	1,037,819	538,448	470,390	28,981
Single stock equity swaps	948,899	604,506	344,393		751,772	310,865	419,907	21,000
Interest rate swaps	1,577,743	596,273	842,534	138,936	2,021,900	615,816	1,148,137	257,947
Interest fixed rate swaps (bonds)					99,697	16,000	83,697	
Currency swaps	429,056	406,819	4,434	17,803	674,618	457,056	200,094	17,467
Commodities swaps	5,000		5,000		30,473	23,639	1,834	5,000
Forward currency instruments	24,752	24,752			274,413	274,413		
Options	41,324,244	33,787,283	7,523,344	13,617	46,413,207	35,745,493	10,585,394	82,320
Organised markets	38,767,972	32,420,383	6,333,972	13,617	44,198,298	34,987,977	9,142,501	67,820
Index options	17,702,151	15,283,842	2,404,692	13,617	19,931,706	15,669,056	4,194,829	67,820
Single stock options	21,062,029	17,132,748	3,929,281		24,248,427	19,300,755	4,947,672	
Commodities options	3,793	3,793			18,166	18,166		
Over-the-counter markets	2,556,271	1,366,900	1,189,372		2,214,909	757,516	1,442,893	14,500
Credit default swaps	136,474	58,969	77,505		250,914	98,734	148,180	4,000
Index options	401,782	351,221	50,561		191,259	115,845	75,414	
Interest rate options	5,000		5,000		5,000		5,000	
Single stock options	1,911,836	882,634	1,029,202		1,696,091	488,257	1,197,335	10,500
Commodities options					7,485	7,485		
Currency options	101,180	74,076	27,104		64,159	47,196	16,963	
Total	55,418,369	43,118,733	12,113,771	185,865	64,510,054	46,641,032	17,447,762	421,260

4.1.3. SETTLEMENT RISK

Settlement risks stem 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 to three days for a given counterparty and a given security to be settled/delivered;
- a general risk over one to 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 based on the liquidity policy approved by the Management. The target is to maintain sufficient available resources, in particular by the available part of BNP Paribas financing line, in order to address activities requirements and to face liquidity crisis.

In 2018, the Group has modified its approvals to carry out all its activities as investment companies. Henceforth, the constitution of 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 the CRD IV:

- Internal liquidity buffer ; liquid asset buffer equal to three months of fixed overheads and available part of financing line;
- 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 derivative 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 particularly validates:

- 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 margin at inception 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 Department is managed by the Coordinator of Group Permanent Control, reporting to the Deputy Chief Executive Officer of Exane SA, in charge of central functions of the Group. This process relies on Operational Risk Correspondents within each of the Group’s business line and function, and has the following missions:

- ensuring that consistency, completeness and efficiency of permanent control process regarding non-financial risks, in particular in connection with Compliance and IT Security Departments;
- monitoring operational risk process at a Group level.

These missions are illustrated by:

- maintaining the processes/risks/controls mapping with the respect of the defined methodology;
- checking adequacy, supporting documentation and correct running of control process, and analysis and monitoring founded anomalies;
- analysing operational incidents report;
- coordinating the follow-up of essential services providers;
- validating, monitoring and closing the related control plans;
- reporting its activity and results of its controls to Management Risk Committee Group, Executive Committee and 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 thanks to 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)	31/12/19			31/12/18		
	Trading book	Assets designated at fair value	Total	Trading book	Assets designated at fair value	Total
Bonds and other debt instruments⁽¹⁾	537,956		537,956	503,612		503,612
Equities and other variable-income securities⁽²⁾	2,580,793	195,708	2,776,500	1,614,056	195,719	1,809,775
Trading book derivatives	857,798		857,798	1,368,133		1,368,133
• Equities and variable-income securities	829,769		829,769	1,335,642		1,335,642
• Interest rate derivatives	11,996		11,996	18,846		18,846
• Currency derivatives	15,147		15,147	10,716		10,716
• Other derivatives	886		886	2,929		2,929
Total financial assets at fair value through profit or loss*	3,976,547	195,708	4,172,254	3,485,801	195,719	3,681,520

(1) of which collateralised securities at 31 December 2019: 122,805 thousand euros and at 31 December 2018: 153,195 thousand euros.

(2) of which collateralised securities at 31 December 2019: 695,782 thousand euros and at 31 December 2018: 325,137 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)	31/12/19			31/12/18		
	Trading book	Assets designated at fair value	Total	Trading book	Assets designated at fair value	Total
Debts on borrowed securities and short sale	192,252		192,252	536,082		536,082
Debt securities⁽¹⁾		2,285,919	2,285,919		1,978,485	1,978,485
Trading book derivatives	790,460		790,460	1,404,092		1,404,092
• Equities and variable-income securities	774,653		774,653	1,370,175		1,370,175
• Interest rate derivatives	10,952		10,952	18,399		18,399
• Currency derivatives	4,795		4,795	12,558		12,558
• Other derivatives	60		60	2,960		2,960
Total financial liabilities at fair value through profit or loss*	982,712	2,285,919	3,268,631	1,940,174	1,978,485	3,918,659

(1) of which collateralised securities at 31 December 2019: 553,564 thousand euros and at 31 December 2018: 414,082 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 2019 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	2,783,719	(21,595)	81,408	489,293	500,648	338,781	4,172,254
Bonds and other debt securities	7,219	191	459	10,262	182,788	337,036	537,955
Equities and other variable-income securities	2,776,500	0	0	0	0	0	2,776,500
Trading book derivatives	0	(21,786)	80,949	479,031	317,860	1,745	857,799
Financial liabilities at fair value through profit or loss	195,367	225,104	260,704	870,954	884,271	832,231	3,268,631
Debts on securities	192,242	0	0	0	0	10	192,252
Debt securities	3,125	213,134	173,814	431,180	635,363	829,303	2,285,919
Trading book derivatives	0	11,970	86,890	439,774	248,908	2,918	790,460

5.1.1. MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 standard defines the 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 the 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 underlying and derivatives used for issuance of structured products.

In application of 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 2019, 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)	31/12/19				31/12/18			
	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	4,034,609	110,025	27,620	4,172,254	3,474,507	149,133	57,880	3,681,520
Bonds and other debt instruments	485,710	51,906	340	537,956	454,374	48,639	598	503,611
Equities and other variable-income securities	2,772,137	4,363	0	2,776,500	1,806,588	3,130	57	1,809,775
Trading book derivatives	776,762	53,756	27,280	857,798	1,213,545	97,364	57,225	1,368,134
Total	4,034,609	110,025	27,620	4,172,254	3,474,507	149,133	57,880	3,681,520
Financial liabilities at fair value through profit or loss	875,916	1,747,568	645,147	3,268,631	1,805,139	1,171,091	942,430	3,918,660
Debt on borrowed securities and short sale	192,252			192,252	536,082			536,082
Debt securities		1,699,694	586,225	2,285,919		1,082,761	895,725	1,978,486
Trading book derivatives	683,664	47,874	58,922	790,460	1,269,057	88,330	46,705	1,404,092
Total	875,916	1,747,568	645,147	3,268,631	1,805,139	1,171,091	942,430	3,918,660

Table of change in level 3 financial instruments

For level 3 financial instruments, the following changes occurred between 1 January 2019 and 31 December 2019:

(in thousands of euros)	Financial instruments at fair value through profit or loss held for trading	
	Financial assets	Financial liabilities
Beginning of the period	57,880	942,430
Valuation impact	(4,202)	75,141
New deals/issues	16,503	236,287
Transfers to other levels ⁽¹⁾	92	(8,956)
Settlements	(42,653)	(599,754)
End of the period	27,620	645,147

(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 parameter movements.

The potential impact of this scenario on the level 3 portfolio is -10.1 million euros at 31 December 2019 versus -21.8 million euros at 31 December 2018. It does not include the impact of the change in fair value of level 1 and/or 2 financial instruments carried as hedges for level 3 instruments.

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 2018	8,005
New deals	2,518
Model variance and non-observable parameters	22
Purchase	(3,332)
Amortisation	(2,034)
End of the period - 31 December 2019	5,179

5.1.2. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table presents the amounts of financial assets and liabilities before and after offsetting. This information, required by the amendment to IFRS 7 (disclosures on offsetting of financial assets and financial liabilities) and IAS 32 (financial instruments: presentation) clarifies the principles of offsetting financial assets and 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 dealt with clearing houses.

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

- No offsetting 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 2019 is a decrease of 235 million euros versus 338 million euros at 31 December 2018.

	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)					
31/12/19					
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
31/12/18					
Financial assets at fair value through profit or loss	4,019,569	(338,049)	3,681,520		3,681,520
• Financial instruments derivatives	1,706,182	(338,049)	1,368,133		1,368,133
Accrued income and other assets	1,006,095		1,006,095	(54,046)	952,049
• Guarantee deposits paid	341,177		341,177	(54,046)	287,131
Financial liabilities at fair value through profit or loss	4,256,708	(338,049)	3,918,659		3,918,659
• Financial instruments derivatives	1,742,141	(338,049)	1,404,092		1,404,092
Accrued expenses and other liabilities	815,844		815,844	(83,572)	732,272
• Guarantee deposits received	86,659		86,659	(83,572)	3,087

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)	31/12/19	31/12/18
Deposits paid on security borrowing	317,596	712,269
Demand accounts	170,592	165,549
Short-term loans	63,636	324,376
Interest on current accounts	291	388
Loans and receivables due from credit institutions (at amortised cost)	552,115	1,202,582
Deposits received on security lending	431,418	211,888
Demand accounts	82,608	54,858
Long-term borrowings	765,443	523,006
Accrued interest	657	802
Debts due to credit institutions (at amortised cost)	1,280,126	790,554

The breakdown by residual maturity is as follows:

(in thousands of euros)	Overnight (excluded) to 1 month	Over 5 years	Total
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
31 December 2018			
Loans and receivables due from/to credit institutions	1,202,582		1,202,582
Debts due to credit institutions	267,548	523,006	790,554

5.3. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

(in thousands of euros)	31/12/19	31/12/18
Current tax assets	687	3,520
Deferred tax assets	61,595	48,386
Total assets	62,282	51,906
Current tax liabilities	9,533	14,957
Deferred tax liabilities	9,936	12,950
Total liabilities	19,469	27,907

5.4. ACCRUED INCOME / EXPENSES AND OTHER ASSETS / LIABILITIES

(in thousands of euros)	31/12/19	31/12/18
Settlement accounts related to market transactions	528,465	540,012
Guarantee deposits and bank guarantees paid	290,035	341,177
Social and tax assets	14,863	12,792
Accrued income and prepaid expenses	48,075	49,414
Other accrued income and other assets	50,935	62,700
Net asset value	932,372	1,006,095
Settlement accounts related to market transactions	538,801	484,293
Guarantee deposits received	35,192	86,659
Social and tax liabilities	164,945	177,105
Deferred income and accrued expenses	43,526	50,627
Other accrued expenses and other liabilities	93,712	17,160
Net liability value	876,175	815,844

5.5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	31/12/19			31/12/18
	Gross	Amortisation and provisions	Net	Net
Lease - right-of-use asset	47,138	(10,648)	36,490	
IT and electronics	24,052	(21,937)	2,115	2,997
Furniture, fixtures and telephony system	28,514	(21,576)	6,938	8,517
Total property, plant and equipment	99,704	(54,161)	45,543	11,514
Software	29,544	(21,205)	8,339	9,587
Other intangible assets	2,087	(2,085)	2	2
Total intangible assets	31,631	(23,290)	8,341	9,589

The impacts of the IFRS 16 are as follows:

Balance sheet (in thousands of euros)	Asset	Liability
Right-of-use assets	36,490	
Other liabilities		36,490

Implicit debt rates	31/12/19
France	1.20%
United Kingdom	1.89%

Right-of-use assets by country	31/12/19
France	83%
United Kingdom	10%
Other countries	7%

5.6. PROVISIONS

(in thousands of euros)	31/12/18	New provisions	Write-backs	31/12/19
Provisions	34,761	13,721	1,906	46,576

Provisions include provisions for employee benefit obligation (retirement commitments, retirement indemnities) and other long-term benefits (long-term awards), as well as other provisions hedging some potential risks including provisions for a restructuring plan launched in November 2019.

→ 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 for these schemes are based on a percentage of annual wage 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)	31/12/18	New provisions	Write-backs	31/12/19
Net obligation for defined-benefit plans	9,022	58		9,079

Change in the present value of the defined-benefit obligation

(in thousands of euros)	31/12/19	31/12/18
Present value of defined-benefit obligation at the beginning of the period	15,675	13,921
Current service cost	1,554	1,525
Expense related to the measurement of the commitments	343	393
Actuarial gains/losses on obligation	521	(536)
Benefits paid	(48)	(73)
Exchange rate impact	132	342
Others	(2,450)	102
Present value of defined-benefit obligation at the end of the period	15,728	15,675

Change in the fair value of plan assets

(in thousands of euros)	31/12/19	31/12/18
Present value of plan assets at the beginning of the period	6,653	5,504
Expected return on plan assets	324	295
Actuarial gains/losses on plan assets	(375)	(356)
Contributions paid	353	939
Benefits paid from plan assets	0	0
Exchange rate impact	118	272
Others	(425)	0
Present value of plan assets at the end of the period	6,649	6,653

Components of the cost of defined-benefit plans

(in thousands of euros)	31/12/19	31/12/18
Total expense recognised in staff costs	1,573	1,726
Service costs for the current period	1,554	1,525
Service costs for previous periods	0	102
Expenses related to the measurement of the commitments	343	393
Expected return of plan assets	(324)	(295)

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

	31/12/19		31/12/18	
	France	USA	France	USA
Discount rate	0.78%	3.61%	1.57%	3.61%

5.7. SHAREHOLDERS' EQUITY

(in thousands of euros)	31/12/18	Appropriation of 2018 net income and dividend	Impact of valuation of employee benefits	Others	2019 Net income	31/12/19
Capital	40,690					40,690
Consolidated earnings	291,005	21		(48)		290,978
Gains/losses on equity	(2,046)		(406)	77		(2,375)
2018 net income	30,130	(30,130)				0
2019 net income					21,972	21,972
Total	359,779	(30,109)	(406)	29	21,972	351,265

A 2018 dividend of 30.1 million euros has been paid in 2019.

Equity breaks down as follows at 31 December 2019:

	31/12/19		31/12/18	
	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)	31/12/19	31/12/18
Demand accounts	259	249
Deposits paid on security borrowing	50,849	59,726
Other interests	3,650	2,134
Interest income	54,758	62,109
Demand accounts	2,711	2,521
Deposits received on security lending	17,204	36,305
Other loans and cash flows	3,570	6,917
Interest expenses	23,485	45,743

6.2. NET COMMISSION INCOME AND EXPENSES

(in thousands of euros)	31/12/19	31/12/18
Security transactions	247,166	271,584
Forward and options contracts	11,741	11,957
Primary market	22,326	21,307
Commission (income)	281,233	304,849
Security transactions	67,028	68,930
Forward and option contracts	4,870	5,531
Cash flows	2,075	2,521
Commission (expenses)	73,973	76,982

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

(in thousands of euros)	31/12/19	31/12/18
Fixed-income and variable-income securities	143,800	71,362
Financial instruments	(88,139)	(10,736)
Remeasurement of currency positions	277	(630)
Net gain/loss on financial instruments at fair value through profit or loss	55,938	59,996

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 52.7 million euros at versus 52.4 million euros at 31 December 2018.

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)	31/12/19	31/12/18
Fixed and variable remuneration	159,411	149,594
Social security taxes	45,707	48,140
Payroll taxes	4,032	4,169
Profit-sharing	2,454	5,123
Total salary and employee benefit expenses	211,604	207,026

The item “fixed and variable remuneration” comprises the costs related to the reorganisation and collective restructuring project in Paris launched on 13 November 2019 and signed at the beginning of January 2020 with the Social and Economic Committee.

The average workforce of the Exane Group developed as follows:

Number of people employed	31/12/19	31/12/18
Executives	751	769
Supervisors	16	21
Employees	44	48
Average workforce	812	838

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

6.5.2. OTHER OPERATING EXPENSES

(in thousands of euros)	31/12/19	31/12/18
Office rent	4,414	14,959
Fees	4,968	4,579
Auditor fees	812	878
Travel and entertainment expenses	9,811	10,885
Sub-contracted IT services	12,723	13,422
Other taxes	6,266	5,371
Other expenses	40,621	42,988
Other operating expenses	79,617	93,082

The item "Office rent" is impacted by IFRS 16. The rental charge is broken down into amortisation of the right to use and interest expense due 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 2019 by the IFRS 16 norm related to the amortisation of the right of use for an amount of 10.6 million euros.

6.7. NET GAIN / LOSS ON OTHER ASSETS

There is no gain/loss on other assets as at 31 December 2019.

6.8. CORPORATE INCOME TAX

The composition of the tax charge is as follows:

(in thousands of euros)	31/12/19	31/12/18
Current tax charge	26,516	28,796
Deferred tax assets and liabilities	(14,998)	(16,988)
Total	11,518	11,808

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)	31/12/19	31/12/18
Taxable temporary difference	62,310	49,027
Consolidation adjustments	(10,652)	(13,591)
Total	51,658	35,436
• of which income impact	16,279	16,988
• of which reclassification between current and deferred tax (London & Inc.)	(1,281)	
• of which equity impact	(58)	(72)
• of which balance sheet impact only		(322)

Exane SA, Exane Derivatives, Exane Finance, Exane Derivatives Gérance, and Ellipsis Asset Management 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 as regards the implementation of credit facilities.

At 31 December 2019, these commitments amounted to 733.7 million euros, of which 597.5 million euros received from BNP Paribas, versus 1,386 million euros for the year ended 31 December 2018, of which 1,051.3 million euros received from BNP Paribas.

7.2. GUARANTEE COMMITMENTS

At 31 December 2019, there is no more commitment.

8. SEGMENT INFORMATION

8.1. PRESENTATION OF BUSINESS SEGMENTS AND BUSINESS LINES

A business segment is a group of assets and processes meant to provide products and services, and whose risk and profitability is different from the risk and profitability profile of any other industry.

A geographic area is a group of assets and processes meant to provide products and services in a special environment, and whose risk and profitability profile is different from the risk and profitability profile of the 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, sale 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, convertible bonds, and options.

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

- **Asset Management**

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

8.2. BREAKDOWN OF REVENUES BY BUSINESS LINE

(in millions of euros)	31/12/19	31/12/18
Cash Equities	230	233
Derivatives	57	65
Asset Management	55	61
Others	4	(4)
Total	346	356

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

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

8.3.1. BREAKDOWN OF THE BALANCE SHEET

(in millions of euros)	31/12/19	31/12/18
France	5,648	5,656
United Kingdom	185	264
USA	24	44
Total	5,857	5,963

8.3.2. BREAKDOWN OF REVENUES

(in millions of euros)	31/12/19	31/12/18
France	208	212
United Kingdom	116	119
USA	22	25
Total	346	356

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 French law, such as verification of the information pertaining to the Group presented in the management report.

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 31 December 2019. These consolidated financial statements were approved by the Board of Directors on April 16, 2020 on the basis of the information available at that date in the evolving context of the Covid-19 health crisis.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2019 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 rules applicable to us, for the period from 1 January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of Ethics (Code de Déontologie) for statutory auditors.

EMPHASIS OF MATTER

We draw attention to the following matter described in note 2.1 to the consolidated financial statements relating to the first time application of accounting standard IFRS 16 about leases. Our opinion is not modified in respect of this matter.

JUSTIFICATION OF ASSESSMENTS

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 approved on April 16, 2020. With regard to the events which occurred and the facts known after the date the financial statements were approved by the Board of Directors relating to the impact of the Covid-19 crisis, the management indicated to us that they will be communicated to the general meeting called to approve the financial statements.

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 and Courbevoie, 21 April 2020

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 2019

Assets (in thousands of euros)	Note	31/12/19	31/12/18
Cash and amounts due from central banks and post office banks		84,493	9
Receivables due from credit institutions	3.1	242,149	448,191
Customer items	3.2	699,051	151,017
Bonds, equities and other variable-income and fixed-income securities	3.3	85,911	68,481
Trading and settlement accounts		414,057	442,442
Investments in affiliates	3.4	25,897	37,420
Property, plant and equipment	3.5	8,981	10,665
Intangible assets	3.5	5,507	5,331
Other assets	3.6	158,818	397,327
Accrued income	3.7	35,529	28,483
Total assets		1,760,394	1,589,366

Liabilities and equity (in thousands of euros)	Note	31/12/19	31/12/18
Due to credit institutions	3.1	833,645	578,169
Customer items	3.2	32,201	174,584
Debt securities	3.3	26,975	222,016
Trading and settlement accounts		448,304	260,093
Other liabilities	3.6	136,764	59,894
Accrued expenses	3.7	30,885	31,835
Provisions	3.8	12,080	6,517
Capital for general banking risk		32,163	32,163
Shareholders' equity	3.9	207,378	224,094
Share capital		30,692	30,692
Reserves		94,692	93,902
Retained earnings carried forward		60,359	56,203
Net income		21,635	43,297
Total liabilities		1,760,394	1,589,366

PROFIT AND LOSS ACCOUNT EXANE SA

Financial year ended 31 December 2019

(in thousands of euros)	Note	31/12/19	31/12/18
Interest income	5.1	5,964	8,194
Interest expense	5.1	(5,896)	(8,094)
Income earned on variable-income securities	5.2	67,948	37,146
Commission income	5.3	169,133	71,560
Commission expenses	5.3	(34,415)	(34,436)
Gain/loss on trading portfolio transactions	5.4	7,277	(336)
Gain/loss on investment portfolio transactions	5.5	1,874	(132)
Other operating income	5.6	76,871	62,033
Revenues		288,756	135,935
Operating expenses	5.7	(184,786)	(76,852)
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets		(5,913)	(5,584)
Gross operating income		98,057	53,499
Gain/loss on fixed assets	5.8	(68,083)	498
Pre-tax income		29,974	53,997
Corporate income tax	5.9	(8,339)	(10,700)
Net income		21,635	43,297

OFF-BALANCE SHEET EXANE SA

Financial year ended 31 December 2019

(in thousands of euros)	Note	31/12/19	31/12/18
Commitments given			
Guarantee commitments	4.1	0	12,505
Commitments received			
Financing commitments	4.2	733,701	1,236,018

NOTES TO ACCOUNTING DOCUMENTS

Financial year ended 31 December 2019

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 companies. 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 Group in 2019

On 8 March 2019, Exane SA and its subsidiary in London, Exane Limited (100% owned), carried out a simplified cross-border merger by way of absorption, retroactive to 1 January 2019. This merger resulted in the transfer of all assets and liabilities of Exane Limited to Exane SA by universal transfer of assets. At the same time, Exane SA opened a branch in London under the name of Exane SA London Branch and transferred to it the assets and liabilities received from Exane Limited. All the activities carried out by Exane Limited shall be continued by the branch opened in London, subject to any modification resulting from the legal and regulatory regime applicable from Brexit.

Located in the United Kingdom and Continental Europe, the Group has ensured the resilience of its activities to a hard Brexit situation. The current structure makes it possible to address a large number of topics and adapt to Brexit. The impacts for the Group are not major.

The net assets to be contributed, based on 31 December 2018, amounted to 51.7 million euros. These net assets included deferred tax assets of 9 million euros. In order to standardise the post-merger accounting methods, the deferred tax assets have been written off and recorded in the retained earnings (and at the same time allocated in the Group’s consolidated accounts).

The book value of the shares of Exane Limited held by Exane SA amounted to 3.2 million euros.

The amount of the merger surplus was 48.5 million euros.

The impact on the financial statements of Exane SA is as follows (in euros):

Merger surplus	48,505,467
of which merger premium	790,000
of which net result impact	47,715,467

Post-closing events:

Between 31 December 2019, the year-end date, and 16 April 2020, the date of examination of the accounts by the Board of Directors, the coronavirus health crisis occurred. The economic situation in the current epidemic context remains uncertain. The Company has taken all appropriate measures to ensure continuity of its activities.

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 no.2014-07 of 26 November 2014.

The 2019 financial statements of Exane SA include the new branch in London. The 2018 financial accounts have not been modified.

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

This item includes on one part, balances of accounts held by French and foreign correspondent institutions, i.e. credit and financial ones, stockbrokers, and custodians, stemming from flows of cash on overnight securities and cash lending/borrowing, and on the other part 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 expense/income revaluation.

→ Investment securities

Investment securities are recorded at acquisition cost in the investment securities portfolio. 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 are taken to the balance sheet.

Securities borrowed against cash are not taken as assets to the balance sheet.

However, the cash related to securities lent or borrowed is recorded as “Deposits paid or received on securities lent/borrowed” on the line “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 taken to 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 whose decision-making body Exane SA significantly influences. The 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 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 for the formal approval of 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 submitted for the formal approval of 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 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 for the formal approval of 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 submitted for the formal approval of the Group's Risk Management Department.

Changes in the 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 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 issued by 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 2019:

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 originate.

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 forward 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 AND DEBTS DUE FROM CREDIT INSTITUTIONS

(in thousands of euros)	31/12/19	31/12/18
Deposits paid on security borrowing	62,114	35,229
Short-term loans	63,636	324,376
Demand accounts	116,399	88,585
Total assets	242,149	448,191
Deposits received on security lending	1,812	28
Long-term borrowing	765,443	523,093
Demand accounts	66,390	55,048
Total liabilities	833,645	578,169

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 receivable due from credit institutions over the remaining term to maturity at 31 December 2019:

(in thousands of euros)	Overnight (excluded) to 1 month	Over 5 years	Total
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
31 December 2018			
Loans and receivables due from/to credit institutions	448,191		448,191
Debts due to credit institutions	55,076	523,093	578,169

3.2. CUSTOMER ITEMS

(in thousands of euros)	31/12/19	31/12/18
Accounts receivable	699,051	151,017
Total assets	699,051	151,017
Accounts payable	32,201	174,584
Total liabilities	32,201	174,584

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)	31/12/19	31/12/18
Trading portfolio⁽¹⁾	31,492	15,899
• Equities and other variable-income securities	31,492	15,899
Investment portfolio⁽²⁾	54,419	52,582
Total assets	85,911	68,481
Short selling⁽³⁾	26,975	690
• Equities and other variable-income securities	26,975	690
Debt securities⁽⁴⁾	0	221,326
Total liabilities	26,975	222,016

(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 44.4 million euros, and shares in external funds amounting to 10 million euros.

(in thousands of euros)	31/12/19	31/12/18
Acquisition cost	54,419	52,582
Total investment portfolio	54,419	52,582
Unrealised capital loss	7,542	6,220

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

(4) Security issuances are made up of medium-term marketable securities. The maturity and the category of medium-term negotiable warrants issued by Exane SA are the following:

(in thousands of euros)	31/12/19	31/12/18
From 3 months to 1 year		125,672
From 1 to 2 years		95,654
Total	0	221,326

3.4. INVESTMENTS IN AFFILIATES AND UNAFFILIATED COMPANIES

(in thousands of euros)	Legal status	Shareholders' equity	2019 income	31/12/18	Acquisitions / Creation / Consolidation	Disposals / Acquisitions	31/12/19
Fully integrated French subsidiaries							
Exane Finance	French SA - stock corporation	6,799	976	5,504			5,504
Exane Derivatives Gérance	French SA - stock corporation	315	(8)	34			34
Exane Derivatives	French SNC - General partnership	5,366	(25,846)	19,037	50,000	(69,037)	0
Exane Participations	French SNC - General partnership	1		1			1
Ellipsis Asset Management	French SA - stock corporation	8,648	(443)		8,516		8,516
French subsidiaries held at 50% to 100%							
Exane Asset Management	French SAS	59,656	20,117	5,315	402		5,717
Fully integrated foreign subsidiaries							
Exane Limited*	Private Company Limited			3,184	(3,184)		0
Exane Incorporated	Incorporation	15,169	1,311	4,346			4,346
Other long-term securities							
					1,780		1,780
Total assets		95,954	(3,893)	37,420	57,514	(69,037)	25,898

* Exane Limited became a branch of Exane SA in March 2019.

Exane SA carried out two capital increases in Exane Derivatives SNC in July and in October 2019 for a total of 50 million euros. Due to loss-making results and by application of accounting standards, the book value of the shares has been reduced to the in-use value on the basis of the net worth.

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

Exane Limited was transformed from subsidiary to a branch of Exane SA in March 2019.

3.5. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	31/12/19			31/12/18
	Gross value	Amortisation and provisions	Net value	Net value
IT and electronics	22,192	(20,144)	2,049	2,653
Furniture, fixtures and telephony systems	26,246	(19,314)	6,932	8,012
Total property, plant and equipment	48,438	(39,457)	8,981	10,665
Software	23,747	(18,316)	5,431	5,254
Other intangible assets	2,087	(2,010)	77	77
Total intangible assets	25,834	(20,326)	5,507	5,331
Total property, plant, equipment and intangible assets	74,272	(59,784)	14,488	15,996

3.6. OTHER ASSETS AND LIABILITIES

(in thousands of euros)	31/12/19	31/12/18
Financial options purchased ⁽¹⁾	0	221,324
Collaterals ⁽²⁾	86,822	108,390
Tax assets	47	224
Deposits and guarantees	26,158	22,305
Accrued commissions ⁽³⁾	20,879	9,961
Other assets ⁽⁴⁾	24,912	35,123
Total assets	158,818	397,327
Social liabilities ⁽⁵⁾	107,868	38,160
Tax liabilities	14,740	14,079
Suppliers	3,437	1,133
Other liabilities ⁽⁶⁾	10,718	6,522
Total liabilities	136,764	59,894

(1) This item comprises OTC option premiums to hedge structured products which are issued by external institutions, but arranged and underwritten by Exane.

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

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

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

(5) At 31 December 2019, the social security liabilities are impacted by the social liabilities of London branch.

(6) The other liabilities are mainly security transaction taxes (French Financial Transaction taxes) for 7.3 million euros and Commission Sharing Agreements for 2.9 million euros.

3.7. NET ACCRUED INCOME AND EXPENSES

(in thousands of euros)	31/12/19	31/12/18
Debtor adjustment accounts ⁽⁷⁾	5,894	10,736
Accrued income ⁽⁸⁾	24,611	12,950
Prepaid expenses	5,024	4,797
Total assets	35,529	28,483
Creditor adjustment accounts ⁽⁷⁾	6,634	6,189
Accrued expenses ⁽⁹⁾	23,872	25,634
Deferred income	380	12
Total liabilities	30,885	31,835

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

(8) Income receivable corresponds to Research invoicing of the last quarter (Paris and London for 2019).

(9) Accrued expenses mainly consist of operating expenses (Paris and London).

3.8. PROVISIONS

(in thousands of euros)	31/12/18	New provisions	Write-off	31/12/19
Provisions	6,517	6,769	1,206	12,080

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.

The amount set aside 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 benefits 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 2019, with the following assumptions:

Actuarial assumptions	31/12/19	31/12/18
Discount rate	0.78%	1.57%
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	6.03% declining with time	6.1% declining with time
Employers' contributions	52.50%	52.50%

3.9. SHAREHOLDERS' EQUITY

(in thousands of euros)	31/12/18	Appropriation of 2018 income and dividend	Interim dividend	2019 net income	Others in 2019	31/12/19
Capital	30,692					30,692
Additional paid-in capital	9,997				790	10,787
Legal retained earnings	3,069					3,069
Discretionary retained earnings	80,836					80,836
Balance brought forward	56,203	43,297	(30,109)		(9,033)	60,359
2018 net income	43,297	(43,297)				0
2019 net income				21,635		21,635
Total	224,094	0	(30,109)	21,635	(8,243)	207,378

A dividend of 30.1 million euros was paid in accordance with the decision of the General Meeting of Shareholders held on 28 March 2019.

In order to standardise the post-merger accounting methods, the deferred tax assets from Exane Limited during the merger have been written off and recorded in the retained earnings (and at the same time allocated in the Group's consolidated accounts).

Equity breaks down as follows:

	31/12/19		31/12/18	
	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 2019 (merger between Exane SA and Exane Limited).

4.2. FINANCING COMMITMENTS

This item mainly comprises financing commitments given by BNP Paribas as regards the implementation of credit facilities.

4.3. COMMITMENTS ON FORWARD AND OPTION CONTRACTS

The following table details Exane's commitments on forward and option contracts at 31 December 2019.

The commitments shown in the table can only be construed as indicators of the Company's activity on financial markets, exclusively built on nominal bases. 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)	31/12/19			31/12/18		
	Total	0 to 1 yr	1 to 5 yrs	Total	0 to 1 yr	1 to 5 yrs
Futures and forwards	409,962	409,962		121,906	121,906	
Organised markets	9,984	9,984		15,457	15,457	
Equity index instruments	9,984	9,984		15,457	15,457	
Over-the-counter markets	399,978	399,978		106,449	106,449	
Index swaps and equity swaps	9,294	9,294		69,288	69,288	
Equity security swaps	375,000	375,000				
Foreign exchange contracts	15,684	15,684		37,161	37,161	
Options				215,437	115,000	100,437
Over-the-counter markets				215,437	115,000	100,437
Trading security options				215,437	115,000	100,437
Total	409,962	409,962	0	337,342	236,906	100,437

4.4. COMMITMENTS ON SECURITIES

There are no commitments on securities at 31 December 2019.

4.5. RISK MANAGEMENT

4.5.1. FINANCIAL RISKS CONTROL FRAMEWORK

The Risk Management Department reports directly to the 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.

The Risk Management Department performs for all the financial risks, the reporting of its activity and results of its controls to Management Risk Committee Group, Executive Committee and Board of Directors.

Market risks:

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 an 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 300 scenarios of daily changes of market parameters in 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 in 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;
- by OTC transactions with clients with special internal agreements;
- by swaps to hedge structured products which are issued by external institutions; these transactions are entered into with highly rated financial organisations;
- by security lending/borrowing related to trading and brokerage activities;
- by 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. The Group has changed its calculation method of exposure to counterparty risk and now resorts to ICA principles.

Settlement risk:

Settlement risks stem 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 to three days for a given counterparty and a given security to be settled/delivered;
- a general risk over one to 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 based on the liquidity policy approved by the Management. The target is to maintain sufficient available resources, in particular by the available part of BNP Paribas financing line, in order to address activities requirements and to face liquidity crisis.

In 2018, the Group has modified its approvals to carry out all its activities as investment companies. Henceforth, the constitution of 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 the CRD IV:

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

4.5.2. OPERATIONAL RISK CONTROL FRAMEWORK

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

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

- ensuring that consistency, completeness and efficiency of permanent control process regarding non-financial risks, in particular in connection with Compliance and IT Security Departments;
- monitoring operational risk process at a Group level.

These missions are illustrated by:

- maintaining the processes/risks/controls mapping with the respect of the defined methodology;
- checking adequacy, supporting documentation and correct running of control process, and analysis and monitoring founded anomalies;
- analysing operational incident report;
- coordinating the follow-up of essential services providers;
- validating, monitoring and closing the related control plans;
- reporting its activity and results of its controls to Management Risk Committee Group, Executive Committee and 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 thanks to 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)	31/12/19	31/12/18
Deposits paid related to borrowed securities	95	45
Demand accounts	5,869	8,149
Total income	5,964	8,194
Deposits received related to lent securities	1,011	377
Borrowings	3,312	5,889
Demand accounts	1,573	1,828
Total expenses	5,896	8,094

5.2. INCOME EARNED ON VARIABLE-INCOME SECURITIES

This income corresponds to the dividends received from the subsidiaries of Exane SA and to the merger surplus of 47.7 million euros.

5.3. COMMISSION INCOME AND EXPENSES

This item breaks down as follows:

(in thousands of euros)	31/12/19	31/12/18
Security transactions	147,608	61,137
Forward and option contracts	655	473
Primary market	20,870	9,950
Total income	169,133	71,560
Security transactions	32,431	32,044
Cash transactions	1,812	2,270
Forward and option contracts	126	61
Distribution fees	46	61
Total expenses	34,415	34,436

Commissions on security transactions mainly consist of execution fees and Research for Paris and London (please refer to 5.6 MIFID II Research services).

5.4. GAIN / LOSS ON TRADING PORTFOLIO TRANSACTIONS

This item comprises gains and losses on:

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

5.5. GAIN / LOSS ON INVESTMENT PORTFOLIO 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)	31/12/19	31/12/18
Research service	66,132	40,008
Execution and clearing fees	10,635	21,795
Other recharge	103	229
Total other operating income	76,871	62,033

The Research service item mainly comprises of the billing of analysis and Research services. Since January 2018, the financing of Research has been governed by the Financial Instruments Directive II (MIFID II), which requires Investment Services Providers (ISP) that receive or use Research in connection with their investment services to separate the financing of Research and execution. Therefore, Research has been paid directly, independently of execution fees on securities.

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

5.7. OPERATING EXPENSES

5.7.1. SALARY AND EMPLOYEE BENEFIT EXPENSES

This item breaks down as follows:

(in thousands of euros)	31/12/19	31/12/18
Fixed and variable remuneration	111,675	38,558
Employee benefits	(322)	670
Social security taxes	29,864	17,244
Employee profit-sharing	1,291	2,550
Total	142,508	59,022

The item “fixed and variable remuneration” comprises the restructuring costs related to the cost cutting plan launched in November 2019 and signed at the beginning of January 2020.

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

Number of people employed	31/12/19	31/12/18
Executives	488.2	274.3
Supervisors	15.8	18
Employees	32.1	28.4
Total	536.1	320.7

5.7.2. OTHER OPERATING EXPENSES

(in thousands of euros)	31/12/19	31/12/18
Office rent, database, market data	32,006	20,593
Sub-contracted IT services	8,892	6,375
Fees	4,070	1,714
Travel and entertainment expenses	6,190	3,374
Other taxes	3,880	3,101
Intragroup invoices	(28,341)	(28,855)
Other expenses	15,580	11,529
Total	42,278	17,830

5.8. GAIN / LOSS ON FIXED ASSETS

In 2019, this item mainly records the impairment loss recognized on the Exane Derivatives equity interests. In accordance with accounting standards and due to the loss incurred, the book value of the shares was reduced to their value in use based on the share of net equity.

5.9. CORPORATE INCOME TAX

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

Due to a change in the French tax administration's doctrine in 2018, and in order to have an homogeneous approach in the Exane Group, bonuses are now deductible in the year they are announced and not the year of attribution.

The tax payable is the amount of tax calculated on taxable income at 31 December 2019.

6. SEGMENT INFORMATION

6.1. BREAKDOWN OF REVENUES

(in millions of euros)	31/12/19	31/12/18
France	173	136
of which merger surplus	48	
United Kingdom	116	0
Total	289	136

6.2. BREAKDOWN OF OPERATING EXPENSES

(in millions of euros)	31/12/19	31/12/18
France	85.2	82.4
United Kingdom	105.5	0
Total	190.7	82.4

7. CASH-FLOW STATEMENT

(in thousands of euros)	31/12/19	31/12/18
Operating activities		
Pre-tax net income	29,974	53,997
Non-monetary items included in pre-tax net income and other adjustments	5,913	5,584
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	5,913	5,584
Net income or loss from financing activities	0	0
Net increase/decrease in cash related to assets and liabilities generated by operating activities	(381,687)	296,428
Net increase/decrease in cash related to transactions with customers	(473,822)	315,799
Net increase/decrease in cash related to transactions involving other financial assets and liabilities	94,911	(9,240)
Net increase/decrease in cash related to transactions involving non-financial assets and liabilities	5,563	568
Taxes paid	(8,339)	(10,700)
Net increase/decrease in cash and equivalents generated by operating activities	(345,800)	356,009
Investing activities		
Change in equity investments	11,523	(822)
Net increase/decrease related to property, plant and equipment and intangible assets	(4,405)	(5,390)
Net increase/decrease in cash and equivalents generated by investing activities	7,118	(6,213)
Financing activities		
Net increase/decrease in cash and equivalents related to transactions with shareholders	(38,351)	(26,747)
Net increase/decrease in cash and equivalents generated by other financing activities	0	(100,000)
Net increase/decrease in cash and equivalents generated by financing activities	(38,351)	(126,747)
Net increase/decrease in cash and equivalents	(377,035)	223,048
Balance of cash and equivalent accounts at the beginning of the period		
Cash and amounts due from central banks and post office banks	9	14
Demand deposits/loans with/from credit institutions	(129,978)	(353,032)
Balance of cash and equivalent accounts at the end of the period		
Cash and amounts due from central banks and post office banks	84,493	9
Demand deposits/loans with/from credit institutions	(591,497)	(129,978)
Net increase/decrease in cash and equivalents	(377,035)	223,048

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 31 December 2019. These financial statements were approved by the Board of Directors on April 16, 2020 on the basis of the information available at that date in the evolving context of the Covid-19 health crisis.

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 31 December 2019 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 rules applicable to us, for the period from 1 January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of Ethics (Code de Déontologie) for statutory auditors.

JUSTIFICATION OF ASSESSMENTS

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 the 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 approved on April 16, 2020 and in the other documents with respect to the financial position and the financial statements provided to the shareholders. With regard to the events which occurred and the facts known after the date the financial statements were approved by the Board of Directors relating to the impact of the Covid-19 crisis, the management indicated to us that they will be communicated to the general meeting called to approve the financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D.441-4 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 and Courbevoie, 21 April 2020

The Statutory Auditors

French original signed by

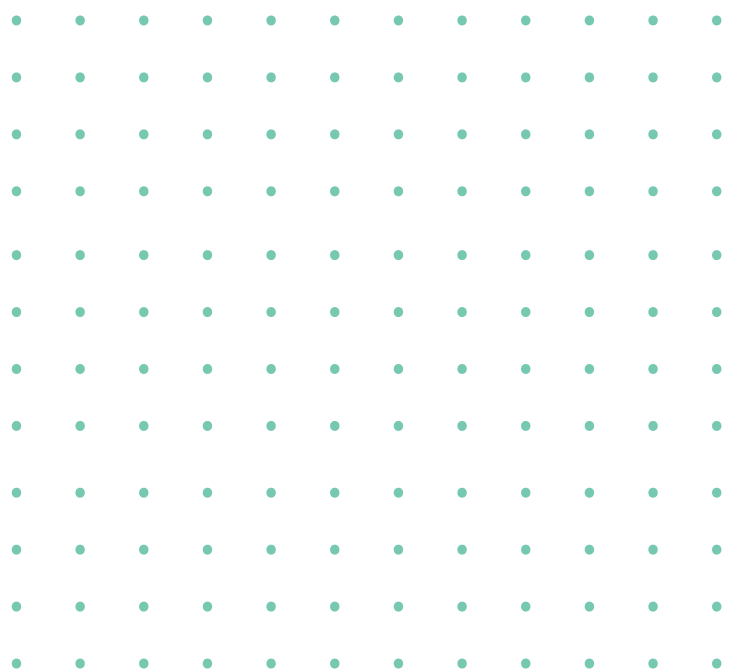
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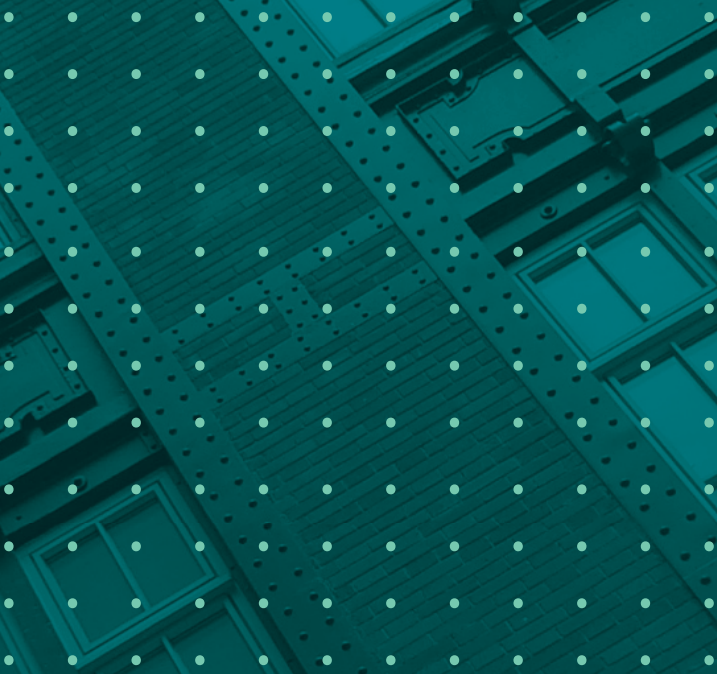
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E X A N E



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