

Exane SA

Société Anonyme

*6, rue Ménars
75002 Paris*

Statutory auditors' report on the financial statements

For the year ended December 31, 2021

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.

MAZARS

Commissaire aux Comptes

Membre de la Compagnie régionale de Versailles
61, rue Henri Regnault
92400 Courbevoie

DELOITTE & ASSOCIES

Commissaire aux Comptes

Membre de la Compagnie régionale de Versailles
6 Place de la Pyramide
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Exane SA

Société Anonyme

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75002 Paris*

Statutory auditors' report on the financial statements

For the year ended December 31, 2021

To annual general meeting of Exane SA,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Exane SA for the year ended December 31, 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2021 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.

Exane SA

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

Independence

We conducted our audit engagement in compliance with independence requirements rules required by the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1st, 2021 to the date of our report.

Justification of Assessments

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

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

Impairment of investment securities and investments in affiliates

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

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

Exane SA

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 and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Specific Verifications

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

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

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

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

Information relating to corporate governance

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

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

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

Exane SA

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 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.

Exane SA

- 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.

Courbevoie and Paris-La Défense, April 4, 2022

The Statutory Auditors

French original signed by

<i>Mazars</i>	<i>Deloitte & Associés</i>
<i>Gilles DUNAND-ROUX</i>	<i>Charlotte VANDEPUTTE</i>

Balance sheet Exane SA

Financial year ended – 31 December 2021

(in thousands of euros)	Note	31/12/2021	31/12/2020	(in thousands of euros)	Note	31/12/2021	31/12/2020
Cash and amounts due from central banks and post office banks		84 506	84 530	Due to credit institutions	3.1	338 765	227 158
Receivables due from credit institutions	3.1	244 072	230 419	Customer items	3.2	46 684	160 083
Customer items	3.2	346 003	124 758	Debt securities	3.3	10 175	8 494
Bonds, equities and other variable-income and fixed-income securities	3.3	16 488	38 999	Trading and settlement accounts		477 569	385 677
Trading and settlement accounts		441 907	457 730	Other liabilities	3.6	175 821	146 117
Investments in affiliates	3.4	90 514	42 837	Accrued expenses	3.7	32 400	26 955
Property, plant and equipment	3.5	4 851	6 893	Provisions	3.8	11 906	7 759
Intangible assets	3.5	2 813	4 666	Capital for general banking risk		32 163	32 163
Other assets	3.6	181 278	178 326	Shareholder's equity	3.9	334 653	200 067
Accrued income	3.7	47 705	25 314	Share capital		30 692	30 692
				Reserves		94 692	94 692
				Retained earnings carried forward		74 683	81 994
				Net income		134 587	-7 311
Total assets		1 460 136	1 194 473	Total liabilities		1 460 136	1 194 473

Profit and loss account Exane SA

For the period from 1 January to 31 December 2021

PROFIT AND LOSS ACCOUNT - EXANE SA - 31/12/2021

(in thousands of euros)

(in thousands of euros)	Note	31/12/2021	31/12/2020
Interest income	5.1	4 231	5 703
Interest expense	5.1	-3 965	-4 732
Income earned on variable-income securities	5.2	27 153	8 889
Commission income	5.3	211 260	181 032
Commission expense	5.3	-44 916	-41 848
Gain or loss on trading portfolio transactions	5.4	19 857	12 130
Gain or loss on investment portfolio transactions	5.5	8 267	-3 270
Other operating income	5.6	82 114	81 758
Other operating expense	5.6	0	0
Revenues		304 001	239 661
Operating expense	5.7	-205 658	-175 817
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets		-5 058	-4 313
Gross operating income		93 285	59 531
Gain / loss on non-current assets	5.8	59 414	-53 867
Pre-tax income		152 699	5 664
Corporate income tax	5.9	-18 113	-12 975
Net Income		134 587	-7 311

Off-balance sheet Exane SA

Financial year ended – 31 December 2021

(in thousands of euros)	Note	31/12/21	31/12/20
COMMITMENTS GIVEN			
Guarantee commitments	4.1	2 011 704	
COMMITMENTS RECEIVED			
Financing commitments	4.2	1 146 696	1 240 353

EXANE SA

Notes to Accounting Documents

For the period from 1 January to 31 December 2021

1. Profile

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

Exane SA mainly carries out securities intermediation activities for institutional clients.

Evolution of the firm in 2021

A Memorandum of Understanding granting exclusivity regarding the negotiation of the sale of Verner Investissements shares to BNP Paribas (Exane's controlling holding company) was signed in March 2021. The deed of sale was signed on April 24, 2021 and the transaction was completed after satisfaction of the conditions precedent set out in the Share Purchase Agreement on July 13, 2021. Since July 13, 2021, the BNP Paribas Group owns 100% of Verner Investissements, the controlling holding company of the Exane Group.

A Memorandum of Understanding granting exclusivity regarding the sale of Ellipsis Asset Management was signed in July 2021. The transaction will be completed after satisfaction of the condition precedents set out in the Share Purchase Agreement.

In the second half of 2021, the Group ceased to control Exane Asset Management, in particular with regard to the rights it holds within its corporate bodies, and partially withdrew from its capital.

Post-closing events

The crisis in Ukraine occurred in 2022. It has no effect on the accounts as of 31 December 2021. The Group will follow its evolution with attention.

2. Accounting principles and methods

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

2.1. Receivables and debts due from / to credit and financial institutions

This item includes both account balances held with French and foreign correspondent entities (credit and financial institutions, stockbrokers, and custodians) resulting from cash flows and cash lending/borrowing, and receivables and debts representing the value of securities borrowed or lent against cash.

2.2. Security transactions and other forward and options contracts

2.2.1. Security transactions

▲ Trading securities

Cash equities, UCITS shares and other variable and fixed income securities belonging to the security trading portfolio are valued at 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 calculated by the Risk Management Department using an internal valuation model. Measurement adjustments are recognised in the profit and loss account under revaluation expense/income.

▲ Investment securities

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

▲ Securities lending / borrowing transactions against cash (repurchase agreements)

Securities lent against cash remain on the balance sheet.

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

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

▲ Security-backed lending / borrowing

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

▲ Equity interests

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

2.2.2. Other financial instruments

▲ Options

- Organised markets

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

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

- Over-the-counter markets

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

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

▲ Futures and forwards

- Organised markets

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

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

- Over-the-counter markets

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

Changes in value are recognised in the profit and loss account as income or expenses, and as accrued expense or deferred income on the balance sheet.

2.2.3. Valuation policy and control

The main parameters used for the valuation policy are:

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

The Group's Risk Management Department verifies these parameters against the valuation of listed products on an organised market. It may also verify the consistency of the valuation against OTC values of similar derivatives. The Group Risk Management Department will also check the relevance of internal models used. All of these controls are governed by the banking regulations applicable to the Group.

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, securities transactions on behalf of brokers, financial institutions or banks, for which settlement remains outstanding.

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

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

2.4. Investments in affiliates

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

Securities are recorded at acquisition cost less, where necessary, a provision for impairment calculated by reference to the value of net book assets or their value in use.

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 2021:

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

2.6. Recognition of income and expenses

Income and expenses are recorded when they arise.

Brokerage and commissions 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 relate 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 as follows:

- for futures and forward options: the off-balance sheet commitment is valued at the option's strike price or for credit default swaps at the notional amount,
- for exchange-traded transactions on forward financial instruments: the notional amount is shown off-balance sheet for futures and swaps.

3. Notes to the balance sheet

3.1. Receivables and debts due from credit institutions

(in thousands of euros)	31/12/21	31/12/20
Deposits paid on security borrowing	153 375	98 359
Short term loans	43 940	47 066
Demand accounts	46 756	84 994
Total assets	244 072	230 419
Deposits received on security lending	180	230
Long term borrowing	332 391	197 641
Demand accounts	6 194	29 287
Total liabilities	338 765	227 158

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

The breakdown of debts and receivable due from credit institutions over the remaining term to maturity at 31 December 2021 is as follows:

(in thousands of euros)	Overnight (excluded) to 1 month	Over 5 years	Total
31 December 2020			
Loans and receivables due from/to credit institutions	230 419		230 419
Debts due to credit institutions	29 517	197 641	227 158
31 December 2021			
Loans and receivables due from/to credit institutions	244 072		244 072
Debts due to credit institutions	6 375	332 391	338 765

3.2. Customer items

(in thousands of euros)	31/12/21	31/12/20
Accounts receivable	346 003	124 758
Total assets	346 003	124 758
Accounts payable	46 684	160 083
Total liabilities	46 684	160 083

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)	31/12/21	31/12/20
Trading portfolio (1)	16 389	21 496
- Equities and other variable-income securities	16 389	21 496
Investment portfolio (2)	100	17 503
Total assets	16 488	38 999
Short Selling (3)	10 175	8 494
- Equities and other variable-income securities	10 175	8 494
Total liabilities	10 175	8 494

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

(2) This portfolio was sold to an external fund.

(in thousands of euros)	31/12/21	31/12/20
Acquisition cost	100	17 503
Total investment portfolio	100	17 503
Unrealised capital loss	0	7 548

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

3.4. Investments in affiliates and unaffiliated companies

(in thousands of euros)	Legal status	Shareholders' equity	2021 income	31/12/20	Acquisitions / Creation / Merger	Depreciation	31/12/21
Fully integrated French subsidiaries							
Exane Finance	French SA- stock corporation	5 897	-9	5 504			5 504
Exane Derivatives Gérance	French SA- stock corporation	307	-1	34			34
Exane Derivatives	French SNC -General partnership	62 287	46 937	15 350		46 937	62 287
Exane Participations	French SNC -General partnership	1		1			1
Ellipsis Asset Management	French SA- stock corporation	6 629	771	8 516			8 516
Exane Solutions Luxembourg	Luxembourg SA- stock corporation	969	949	30			30
French subsidiaries held at 71%							
Exane Asset Management	French SAS	62 773	18 721	7 428	604		8 031
Fully integrated foreign subsidiaries							
Exane Incorporated	Incorporation	21 115	3 203	4 346			4 346
Other long-term securities							
				1 630	136		1 766
Total assets		159 978	70 571	42 837	740	46 937	90 514

3.5. Property, plant, equipment and intangible assets

(in thousands of euros)	31/12/21			31/12/20
	Gross value	Amortisation and provisions	Net value	Net value
IT and electronics	23 607	22 783	824	1 274
Furniture, fixtures and telephony systems	26 442	22 415	4 027	5 619
Total property, plant and equipment	50 049	45 198	4 851	6 893
Software	24 507	21 770	2 737	4 590
Other intangible assets	2 087	2 010	77	77
Total intangible assets	26 594	23 780	2 813	4 666
Total property, plant, equipment and intangible assets	76 642	68 978	7 664	11 559

3.6. Other assets and liabilities

(in thousands of euros)	31/12/21	31/12/20
Collaterals (1)	92 639	114 540
Tax assets	462	54
Deposits and guarantees	10 978	6 521
Accrued commissions (2)	50 344	28 401
Other assets (3)	26 855	28 810
Total assets	181 278	178 326
Social liabilities	128 049	113 595
Tax liabilities	31 590	18 608
Suppliers	169	522
Other liabilities (4)	16 013	13 392
Total liabilities	175 821	146 117

(1) Collaterals are mainly security deposits with clearing houses and third parties.

(2) Accrued commissions consists mainly of commissions on primary market transactions.

(3) Other assets are mainly securities transactions receivables, coupons, dividends and withholding taxes.

(4) Other liabilities are mainly securities transactions taxes (French Financial Transactions taxes) of € 10 million and share brokerage commission of € 3.2 million.

3.7. Net accrued income and expenses

(in thousands of euros)	31/12/21	31/12/20
Debtor adjustments accounts (5)	950	5 950
Accrued income (6)	39 316	16 045
Prepaid expenses	7 438	3 319
Total assets	47 705	25 314
Creditor adjustments accounts (5)	6 235	4 528
Accrued expenses (7)	25 305	21 722
Deffered income	860	705
Total liabilities	32 400	26 955

(5) The majority of adjustment accounts represent market transactions currently awaiting settlement, i.e technical, breakdown, and OTC reference accounts.

(6) Income receivables corresponds to BNPP research invoicing

(7) Accrued expenses mainly relate to general operating expenses

3.8. Provisions

(in thousands of euros)	31/12/20	New provisions	Write-off	30/06/21
Provisions	7 759	4 426	279	11 906

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

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

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

The amount of the employee 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 2021, with the following assumptions:

Actuarial assumptions	31/12/21	31/12/20
Discount rate	1,00%	0,35%
Average rate of increase in salary	1,25% maximum	6% maximum declining with time
Retirement age	65 years old	65 years old
Labour turnover rate	2,5% per year	8,55% declining with time
Employers' contributions	52.50%	52.50%

3.9. Shareholders' equity

(in thousands of euros)	31/12/20	Appropriation of 2020 income and dividend	2021 Net income	31/12/21
Capital	30 692			30 692
Additional paid-in capital	10 787			10 787
Legal retained earnings	3 069			3 069
Discretionary retained earnings	80 836			80 836
Balance brought forward	81 994	-7 311		74 683
2020 net income	-7 311	7 311		0
2021 net income			134 587	134 587
Total	200 067	0	134 587	334 653

Equity breaks down as follows:

	31/12/21		31/12/20	
	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

Exane Solutions was granted a performance guarantee by Exane SA to cover the commitments made to the investors in respect of its issuance activity.

4.2. Financing commitments

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

4.3. Commitments on forward and options contracts

The following table details Exane's commitments on forward and options contracts at 31 December 2021.

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

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

in thousands of euros	31/12/2021		31/12/2020	
	TOTAL	0 to 1 year	TOTAL	0 to 1 year
<u>Futures and forwards</u>	925 167	925 167	1 409 533	1 409 533
Organised markets	6 930	6 930	13 677	13 677
Equity index instruments	6 930	6 930	13 677	13 677
Over-the-counter markets	918 237	918 237	1 395 856	1 395 856
Equity securities swaps	918 237	918 237		1 395 856
Total	925 167	925 167	1 409 533	1 409 533

4.4. Commitments on securities

There are no commitments on securities at 31 December 2021.

4.5. Risk management

4.5.1. Financial risks control framework

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

Market risk:

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

Counterparty risk:

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

Liquidity risk:

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

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

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

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

- Credit / counterparty risk:

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

Counterparty risk is generated by:

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

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

- Settlement risk:

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

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

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

- Liquidity risk:

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

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

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

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

4.5.2. Operational risk control framework

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

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

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

These objectives are achieved by:

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

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

5. Notes to the profit and loss account

5.1. Net interest income

This item breaks down as follows:

(in thousands of euros)	31/12/21	31/12/20
Deposits paid related to borrowed securities	45	36
Demand accounts	4 186	5 666
Total income	4 231	5 703
Deposits received related to lent securities	1 441	907
Borrowings	1 529	2 548
Demand accounts	995	1 277
Total expenses	3 965	4 732

5.2. Income earned on variable-income securities

This income comprises of the dividends received from the subsidiaries Exane Asset Management, Ellipsis, Exane Inc and Exane Finance.

5.3. Commission income and expenses

This item breaks down as follows:

(in thousands of euros)	31/12/21	31/12/20
Security transactions	159 790	151 275
Forward and options contracts	1 126	1 031
Primary market	50 344	28 727
Total income	211 260	181 032
Security transactions	40 346	38 019
Cash transactions	4 372	3 672
Forward and options contracts	198	131
Distribution fees	0	26
Total expenses	44 916	41 848

Commissions on securities transactions mainly consist of execution fees and research incomes (Paris and London).

5.4. Gain / loss on trading portfolios transactions

This item comprises gains and losses on:

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

5.5. Gain / loss on investment portfolios transactions

This item includes income from the sale of units in a fund managed by an external management company.

5.6. Other operating income and operating expenses

(in thousands of euros)	31/12/21	31/12/20
Research service	68 447	66 018
Execution and clearing fees	13 312	15 182
Other recharge	356	558
Total other operating income	82 114	81 758

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

5.7. Operating expenses

5.7.1. Salary and employee benefit expenses

This item breaks down as follows:

(in thousands of euros)	31/12/21	31/12/20
Fixed and variable remuneration	121 215	107 782
Employee benefits	4 401	1 119
Social security taxes	33 425	30 138
Profit-sharing	2 105	2 010
Total	161 146	141 049

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

Number of people employed	31/12/21	31/12/20
Executives	469,4	474,8
Supervisors	10,9	11,7
Employees	32,7	35,7
Total	513,0	522,2

5.7.2. Other operating expenses

(in thousands of euros)	31/12/21	31/12/20
Office rent, database, market data	36 089	31 444
Sub-contracted IT services	7 398	7 061
Fees	5 916	3 736
Travel and entertainment expenses	1 661	1 560
Other taxes	4 254	3 819
Intragroup invoices	-26 304	-28 479
Other expenses	15 497	15 627
Total	44 512	34 768

5.8. Gain / loss on fixed assets

In 2021, this item records the reversal of the impairment of the equity shares of Exane Derivatives. In accordance with the accounting standards and as a result of the losses incurred, the book value of the shares has been reduced to the value-in-use. It also records the capital gain on the sale of Exane Asset Management shares in July 2021.

5.9. Corporate tax

Income tax includes all taxes calculated on net income.

The tax payable is the amount of tax calculated on taxable income at 31 December 2021.

6. Segment information

Geographical breakdown of Exane SA's Net Banking Income

(in millions of euros)	31/12/21	31/12/20
France	164	116
United Kingdom	140	124
Total	304	240

Geographical breakdown of operating expenses and depreciation and amortisation

(in millions of euros)	31/12/21	31/12/20
France	97	81
United Kingdom	114	99
Total	211	180

7. Cash-flow statement

(in thousands of euros)

31/12/21 31/12/20

Operating activities		
Pre-tax net income	152 699	5 664
Non-monetary items included in pre-tax net income and other adjustments	5 058	4 313
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	5 058	4 313
Net income or loss from financing activities	0	0
Net increase/decrease in cash related to assets and liabilities generated by operating activities	14 848	603 141
Net increase/decrease in cash related to transactions with customers	-63 874	595 876
Net increase/decrease in cash related to transactions involving other financial assets and liabilities	92 583	24 561
Net increase/decrease in cash related to transactions involving non-financial assets and liabilities	4 251	-4 321
Taxes paid	-18 113	-12 975
Net increase/decrease in cash and equivalents generated by operating activities	172 605	613 117
Investing activities		
Change in equity investments	-39 619	-16 940
Net increase/decrease related to property, plant and equipment and intangible assets	-2 712	-1 384
Net increase/decrease in cash and equivalents generated by investing activities	-42 331	-18 324
Financing activities		
Net increase/decrease in cash and equivalents related to transactions with shareholders	-70 136	0
Net increase/decrease in cash and equivalents generated by other financing activities	0	0
Net increase/decrease in cash and equivalents generated by financing activities	-70 136	0
Net increase/decrease in cash and equivalents	60 138	594 794
Balance of cash and equivalent accounts at the beginning of the period		
Cash and amounts due from central banks and post office banks	84 497	84 493
Demand deposits/loans with/from credit institutions	-154 822	-591 496
Balance of cash and equivalent accounts at the end of the period		
Cash and amounts due from central banks and post office banks	84 506	84 530
Demand deposits/loans with/from credit institutions	-94 693	3 261
Net increase/decrease in cash and equivalents	60 138	594 794