FINANCIAL STATEMENTS

EXANE 2014

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Financial year ended 31 December 2014

Assets (in thousands of euros)	Note	**31/12/14**	31/12/13
Cash and amounts due from central banks and post office banks		13,224	14,536
Financial assets at fair value through profit or loss	5.1	6,088,464	5,704,886
Available-for-sale financial assets	5.2	20,179	19,943
Loans and receivables due from credit institutions	5.3	611,909	380,554
Current and deferred tax assets	5.4	22,039	23,873
Accrued income and other assets	5.5	738,277	736,310
Property, plant and equipment	5.6	7,316	8,142
Intangible assets	5.6	8,977	7,342
Total assets		**7,510,385**	**6,895,586**

Liabilities and equity (in thousands of euros)	Note	**31/12/14**	31/12/13
Financial liabilities at fair value through profit or loss	5.1	4,038,074	3,768,980
Due to credit institutions	5.3	2,028,991	1,672,483
Current and deferred tax liabilities	5.4	15,710	8,064
Accrued expenses and other liabilities	5.5	905,697	914,704
Provisions	5.7	15,262	10,348
Subordinated debt	5.8	89,770	89,798
Total liabilities		**7,093,504**	**6,464,376**
Share capital and additional paid-in capital		40,690	40,690
Retained earnings		256,743	287,858
Change in assets and liabilities recognised directly in equity		1,870	2,673
Net income for the period		56,838	38,632
Other shareholders’ equity		50,000	50,000
Total shareholders’ equity	5.9	**406,142**	**419,852**
Minority interests		**10,739**	**11,358**
Total equity		**416,881**	**431,210**
Total liabilities and equity		**7,510,385**	**6,895,586**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Financial year ended 31 December 2014

(in thousands of euros)	Note	31/12/14	31/12/13
Interest income	6.1	75,378	44,360
Interest expenses	6.1	(77,633)	(53,969)
Commission income	6.2	263,901	222,864
Commission expenses	6.2	(77,643)	(57,318)
Net gain/loss on financial instruments at fair value through profit or loss	6.3	189,935	165,793
Income from other activities	6.4	46,550	39,128
Expenses on other activities		(1,106)	(1,051)
Net banking income		**419,382**	**359,807**
Operating expenses	6.5	(327,730)	(290,014)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	6.6	(7,148)	(6,503)
Gross operating income		**84,504**	**63,289**
Operating income		**84,504**	**63,289**
Net gain/loss on other assets	6.8	0	(1,110)
Pre-tax income		**84,504**	**62,180**
Corporate income tax	6.9	(26,268)	(21,513)
Net income		**58,236**	**40,667**
Minority interests		(1,397)	(2,035)
Net income attributable to equity holders		**56,838**	**38,632**
Basic earnings per share (euros)		**314.83**	**213.99**

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

Financial year ended 31 December 2014

(in thousands of euros)	**31/12/14**	31/12/13
Net income attributable to equity holders (1)	**56,838**	**38,632**
Changes in fair value of available-for-sale financial assets	(11)	378
Changes in value of employee benefits obligations	(792)	336
Profit and loss generated by sale of consolidated shares without lost of control	0	19
Total gain/loss directly in equity and attributable to equity holders (2)	**(803)**	**734**
Net income and gain/loss directly in equity, attributable to equity holders	57,433	41,401
Net income and gain/loss directly in equity, attributable to minority interests	(1,397)	(2,035)
Total net income and gain/loss recognised directly in equity (1+2)	**56,035**	**39,366**

Amounts are displayed here net of tax.

CASH-FLOW STATEMENT

Financial year ended 31 December 2014

(in thousands of euros)		**31/12/14**	31/12/13
Operating activities			
Pre-tax net income		**84,504**	**63,290**
Non-monetary items included in pre-tax net income and other adjustments		**11,986**	**9,057**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets		7,148	6,503
Net addition to provisions		4,914	2,535
Net income or loss from financing activities		(76)	19
Net increase/decrease in cash related to assets and liabilities generated by operating activities		**(143,100)**	**(279,139)**
Net increase/decrease in cash related to transactions with credit institutions		74,794	(51,799)
Net increase/decrease in cash related to transactions with customers		(36,839)	(18,721)
Net increase/decrease in cash related to transactions involving other financial assets and liabilities		(114,720)	(189,541)
Net increase/decrease in cash related to transactions involving non-financial assets and liabilities		(40,067)	2,435
Taxes paid		(26,268)	(21,513)
Net increase/decrease in cash and equivalents generated by operating activities	(a)	**(46,610)**	**(206,791)**
Investing activities			
Net increase/decrease related to property, plant and equiment and intangible assets		(7,957)	(7,664)
Net increase/decrease in cash and equivalents generated by investing activities	(b)	**(7,957)**	**(7,664)**
Financing activities			
Net increase/decrease in cash and equivalents related to transactions with shareholders		(71,947)	(26,662)
Net increase/decrease in cash and equivalents generated by financing activities	(c)	**(71,947)**	**(26,662)**
Net increase/decrease in cash and equivalents	(a+b+c)	**(126,515)**	**(241,118)**
Balance of cash and equivalent accounts at the beginning of the period			
Cash and amounts due from central banks and post office banks	(d)	14,536	10,853
Demand deposits/loans with/from credit institutions	(e)	(1,291,579)	(1,046,778)
Balance of cash and equivalent accounts at the end of the period			
Cash and amounts due from central banks and post office banks	(f)	13,224	14,536
Demand deposits/loans with/from credit institutions	(g)	(1,416,782)	(1,291,579)
Net increase/decrease in cash and equivalents	(f+g)-(d+e)	**(126,515)**	**(241,118)**

CHANGES IN SHAREHOLDERS' EQUITY

Between 1 January 2013 and 31 December 2014

(in thousands of euros)	Capital and retained earnings		Retained earnings - Group share	Total gain/ loss recognised directly in equity	Net income - Group share	Reclassification for undated subordinated debt	Total equity - Group share	Minority interests	Total shareholders' equity
	Capital	Share premiums and retained earnings							
Capital and retained earnings at 1 January 2013	**30,692**	**9,997**	**273,532**	**1,939**	**39,687**	**50,000**	**405,847**	**13,839**	**419 687**
Appropriation of net income for 2012			39,687		(39,687)		0		0
Dividends paid [(1)]			(25,233)				(25,233)	(4,176)	(29,409)
Movements related to shareholders' items			**14,454**		**(39,687)**		**(25,233)**	**(4,176)**	**(29,409)**
Change in gains or losses recognised directly in equity				378			378		378
Appropriation of net income for 2013					38,632		38,632	2,035	40,667
Impact of acquisitions/disposals on minority interests			(86)	19			(67)	(341)	(408)
Actuarial gains and losses related to defined pension plans				336			336		336
Other movements			(41)				(41)		(41)
Capital and retained earnings at 31 December 2013	**30,692**	**9,997**	**287,858**	**2,673**	**38,632**	**50,000**	**419,852**	**11,358**	**431,210**
Appropriation of net income for 2013			38,632		(38,632)		0		0
Dividends paid [(1)]			(39,734)				(39,734)	(2,016)	(41,750)
Movements related to shareholders' items			**(1,102)**		**(38,632)**		**(39,734)**	**(2,016)**	**(41,750)**
Change in gains or losses recognised directly in equity				(11)			(11)		(11)
Net income 2014 after interim dividend					26,833		26,833	1,397	28,230
Actuarial gains and losses related to defined pension plans				(792)			(792)		(792)
Other movements			(6)				(6)		(6)
Capital and retained earnings at 31 December 2014	**30,692**	**9,997**	**286,749**	**1,870**	**26,833**	**50,000**	**406,142**	**10,739**	**416,881**

(1) The dividend paid included the net payment of dividend occurred in 2014 for an amount of 38,997 thousand euros and the interest for the undated subordinated debt classified in equity net of related differed taxes for an amount of 737 thousand euros.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended 31 December 2014

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 creation, issuance, trading and management of structured products,
- the sale and market making of listed derivatives, convertible bonds and OTC options,
- the brokerage of listed derivative products.

- **Asset Management**

Exane Asset Management (Exane AM), a subsidiary of Exane, 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 Derivatives and authorised in France by the AMF, offers third-party asset management on convertible, credit and diversified 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, Chairman of the Board of Directors. The Company’s registered office is located at 16, avenue Matignon, 75008 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 17th February 2015.

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 2014.

The Exane Group has not anticipated the application of new standards, amendments adopted by the European Union (EU) when the application in 2014 is only an option.

IFRS 10 ("Consolidated Financial Statements"), IFRS 11 ("Joint arrangements"), IFRS 12 ("Disclosure of interests in other entities"), and amendments to IAS 32 ("Offsetting financial assets and financial liabilities") are applied since the 1st January 2014.

IFRS 10 outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. The application of IFRS 10 has no significant impact on the consolidated financial statements.

The application of IFRS 11 has no significant impact on the consolidated financial statements at 31 December 2014, no entity of the Group is on a joint arrangement and control.

2.2. PRESENTATION OF FINANCIAL STATEMENTS

Exane uses the CNC recommended format for financial statements (2013-04 dated 7 November 2013; 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" and "Available-for-sale financial assets".

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

2.3. ACCOUNTING PRINCIPLES AND METHODS

Financial assets and liabilities are treated in accordance with IAS 39 revised as adopted by the European Commission (EC) on 19 November 2004 and modified by EC regulations 1751/2005 of 25 October 2005 and 1864/2005 of 15 November 2005 related to the use of the fair value option.

The Group classifies its financial assets into the following categories: "Financial assets at fair value through profit or loss", "Loans and receivables" and "Available-for-sale assets". At 31 December 2014, no financial assets were held to maturity.

Accounting classifications are determined by the reasons underlying the acquisition of financial assets.

The Group classifies its financial liabilities into the following categories: "Liabilities at fair value through profit or loss" and "Other liabilities".

→ Financial assets at fair value through profit or loss

According to IAS 39, financial assets at fair value through profit or loss are those held for trading. Financial assets are so classified if they have been acquired primarily to be sold in the short term and designated at fair value by option.

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 each balance sheet date, they are carried at fair value and changes in fair value are taken to the profit and loss account.

→ 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 for which the Group has elected to apply the fair value option.

Financial liabilities are carried at an amount equivalent to their fair value on the date they are recorded in the balance sheet. Transaction costs are recorded directly in the profit and loss account. On the balance sheet date, they are recognised at their fair value and any changes thereto are reflected in the profit and loss account.

2.3.1 Securities and loans and receivables

→ Securities 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 corresponding 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/securities 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 that the entity has the intention to sell 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, including transaction fees, and thereafter carried at amortised cost adjusted for any impairment.

→ Available-for-sale financial assets

According to IAS 39, "Available-for-sale financial assets" is the default category. Other securities held by the Group (over which the Group does not exert any material influence) are recorded within this category.

Available-for-sale financial assets are initially recorded at acquisition cost, including transaction fees and accrued interest. At the balance sheet date, available-for-sale assets are valued at fair value and changes thereto are booked separately under reversible "Shareholders' equity". If the security is sold or becomes impaired, these changes are reversed out and recognised in the profit and loss account.

→ Valuation

Variable-income and fixed-income securities (equities, UCITS shares and other variable-income and fixed-income securities) in the 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 determined with the use of a valuation model (based on observable or non-observable parameters).

→ Impairment of available-for-sale assets

If one or more events have resulted in the impairment of the value of an available-for-sale financial asset since its acquisition, the change in value is recognised on an individual basis in the profit and loss account when there is objective evidence that it will be lasting. In the particular case of variable-income securities traded on an active market, an extended or material change to a level below its acquisition cost would constitute objective evidence of impairment.

Impairments in the value of fixed-income securities are recognised in the financial statements under the item "Cost of risk" and may be reversed out and recorded in the profit and loss account if an objective event results in a subsequent increase in the fair value of the impaired security.

Impairments in the value of variable-income securities are recognised in the financial statements under the item "Net gains or losses on available-for-sale financial assets". Any subsequent increase in the fair value of the impaired security can only be written back in the profit and loss account on the date of sale, while any further impairment in the fair value of the security will be reflected in the profit and loss account.

→ Recording date

Accounting category	Recording date
Financial assets at fair value through profit or loss	Trade date
Available-for-sale assets	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,
- exchange instruments under potentially unfavourable conditions.

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

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

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

2.3.2 Derivatives

Derivatives are financial assets and liabilities which are taken to the balance sheet at fair value at inception of the transaction. They are either held for trading purposes or used for hedging purposes.

At each balance sheet date, derivatives are measured at fair value and changes thereto are recorded in the profit and loss account.

→ Valuation

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 formal approval of the Group's 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 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 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 to 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 to the formal approval of the Group's Risk Management Department.

→ Recognition of margins on structured financial instruments at inception

Under IAS 39, 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 resort 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 acquired for good; 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 securities 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 securities 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.

→ **Net gain / loss on available-for-sale financial assets**

"Net gain/loss on available-for-sale financial assets" includes dividends and other income from financial assets other than derivatives and which are classified neither in "Loans and receivables" nor in "Financial instruments at fair value through profit or loss".

2.3.6 Use of property, plant and equipment and intangible assets

→ **Tangible assets**

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, together with borrowing costs where a long period of construction or adaptation is required before the asset can be brought into service. 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 immobilised 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 2014.

Type of assets	Provisions for impairment - Type and period
Software	Straight line 3 to 5 years
IT and electronics	Straight line 3 years
Office furniture	Straight line 5 years
Fixtures	Straight line 5 years

→ **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 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.

2.3.8 Employee benefits

The Exane 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 (including ad hoc entities) 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 its.

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 has considered 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 2014.

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 2014 is as follows:

Companies	Countries	Method	31/12/14 % interest	31/12/14 % capital	31/12/13 % interest	31/12/13 % capital
Exane SA	France	Full consolidation	100	100	100	100
Exane Derivatives	France	Full consolidation	100	100	100	100
Exane Asset Management	France	Full consolidation	79	79	79	79
Exane Asset Management Luxembourg (created on April 2014)	Luxembourg	Full consolidation	79	100	-	-
Exane Derivatives Gérance	France	Full consolidation	100	100	100	100
Exane Finance	France	Full consolidation	100	100	100	100
Exane Options	France	Full consolidation	100	100	100	100
Ellipsis Asset Management	France	Full consolidation	100	100	100	100
Exane Participations	France	Full consolidation	100	100	100	100
Exane Limited	UK	Full consolidation	100	100	100	100
Exane Incorporated	USA	Full consolidation	100	100	100	100
Exane Options Incorporated	USA	Full consolidation	100	100	100	100

UCITS	Country	Method	31/12/14 % interest	31/12/14 % capital	31/12/13 % interest	31/12/13 % capital
Mutual funds						
Exane Pléiade Fund 2 Part I	France	Full consolidation	65.84	65.84	64.72	64.72
Exane Investors Alpha Fund	France	Full consolidation	100	100	99.96	99.96
Exane Pléiade Performance Part I	France	Full consolidation	45.44	45.44	-	-

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 judgement 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 “Available-for-sale financial assets”, “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 three business lines:

- Cash Equities (research, execution)
- Derivatives (research, brokerage, Derivatives trading)
- Asset Management and investment in internal (Seed Money) and external funds

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
Equity Brokerage	X		X	X	X
Derivatives Research					X
Derivatives Brokerage			X		X
Derivatives Trading	X	X		X	X
Seed Money	X			X	X
Asset Management	X			X	X

The Equity Brokerage business carries market risks linked to its facilitation activity. Positions are rarely held for more than a one day.

The Derivatives Trading business carries a large proportion of market risks and a significant proportion of the Group's credit/counterparty risk and liquidity risk. It mainly corresponds to a customer-orientated business.

4.1. FINANCIAL RISKS CONTROL FRAMEWORK

The Risk Management Department reports directly to the Deputy Chief Executive Officer of the Group, in charge of the Risk Management and Compliance Departments, himself reporting to the Group Chief Executive Officer. 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,
- anticipating cash requirements,
- defining and monitoring risk indicators,
- calculating and monitoring regulatory liquidity ratios.

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

Four 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 VaR 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.

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

The Derivatives Trading activity comprises the following activities:

- market making and arbitrage on equity and index options,
- market making and arbitrage on convertible bonds,
- the issue, placement and management of structured products,
- proprietary trading.

Except proprietary trading of which limits are not significant, 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. This explains the very low level of the sensitivities relative to the results achieved.

→ Seed Money

Investment is made:

- mainly in Seed Money in alternative management funds managed by Exane AM or in funds managed by Ellipsis AM. 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.

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 non-banking clients who have been granted specific authorisations by the Group's Risk Management Department,
- by swaps to hedge structured products which are issued by external institutions although arranged and underwritten by Exane; these transactions are entered into with highly rated financial organisations,
- by securities lending/borrowing related to proprietary trading or brokerage activities.

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).

→ Derivatives transactions

The total amount of notional derivatives transactions was 68,718 million euros at 31 December 2014, versus 52,184 million euros at 31 December 2013.

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)	**31/12/14** Total	0 to 1 yr	1 to 5 yrs	> 5 yrs	31/12/13 Total	0 to 1 yr	1 to 5 yrs	> 5 yrs
Futures and forwards	22,655,468	13,075,465	8,855,731	724,271	16,758,761	10,563,101	5,472,402	723,258
Organised markets	**12,698,183**	**7,652,135**	**5,043,184**	**2,864**	**6,756,532**	**5,441,614**	**1,313,223**	**1,695**
Interest rate instruments	**9,970,987**	5,141,973	4,829,014		**4,776,886**	3,582,272	1,194,614	
Equity index instruments	**2,226,973**	2,057,921	166,187	2,864	**1,689,001**	1,629,407	57,900	1,695
Single stock based instruments	**423,166**	384,962	38,204		**119,932**	95,130	24,802	
Commodities based intruments	**77,057**	67,279	9,778		**170,712**	134,805	35,907	
Over-the-counter markets	**9,957,284**	**5,423,330**	**3,812,548**	**721,407**	**10,002,229**	**5,121,487**	**4,159,179**	**721,563**
Equity index swaps	**4,985,408**	2,590,384	2,082,685	312,339	**4,391,705**	2,422,691	1,656,875	312,139
Single stock equity swaps	**714,446**	523,026	178,958	12,462	**693,363**	413,629	267,834	11,900
Interest rate swaps	**2,876,064**	1,069,068	1,452,052	354,944	**3,236,237**	755,354	2,085,600	395,282
Currency swaps	**1,336,063**	1,200,548	98,853	36,662	**1,517,080**	1,365,969	148,869	2,242
Commodities swaps	**29,092**	24,092		5,000	**3,626**	3,626		
Forward currency instruments	**16,212**	16,212			**160,219**	160,219		

(in thousands of euros)	31/12/14 Total	31/12/14 0 to 1 yr	31/12/14 1 to 5 yrs	31/12/14 > 5 yrs	31/12/13 Total	31/12/13 0 to 1 yr	31/12/13 1 to 5 yrs	31/12/13 > 5 yrs
Options	**46,062,982**	**35,560,973**	**10,358,888**	**143,120**	**35,425,372**	**26,201,205**	**8,840,841**	**383,326**
Organised markets	**42,991,989**	**33,431,121**	**9,492,668**	**68,200**	**31,329,224**	**23,448,616**	**7,677,758**	**202,850**
Index options	**22,688,955**	16,807,438	5,813,317	68,200	**19,862,925**	13,355,081	6,304,995	202,850
Single stock options	**20,229,992**	16,556,859	3,673,132		**11,214,004**	9,847,946	1,366,058	
Commodities options	**71,725**	65,507	6,219		**252,295**	245,589	6,706	
Currency options	**1,316**	1,316						
Over-the-counter markets	**3,070,993**	**2,129,852**	**866,221**	**74,920**	**4,096,148**	**2,752,589**	**1,163,083**	**180,476**
Credit default swaps	**219,028**	38,654	118,963	61,411	**136,712**	57,500	49,737	29,476
Index options	**1,542,399**	863,957	664,933	13,510	**2,216,001**	1,560,210	504,791	151,000
Single stock options	**952,169**	871,904	80,265		**899,903**	485,426	414,477	
Commodities options	**170,197**	168,138	2,059		**131,706**		131,706	
Currency options	**187,200**	187,200			**711,826**	649,453	62,373	
Total	68,718,450	48,636,438	19,214,620	867,392	52,184,133	36,764,306	14,313,243	1,106,584

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, two or three days for a given counterparty and a given security to be settled/delivered,
- a general risk over one, two or 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.

The Risk Management Department sets up the Capital Requirements Directives (CRD IV) for liquidity risk:

- calculation of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR),
- monitoring the liquid asset buffer,
- definition and application of liquidity limits,
- information to the management.

4.1.5. Valuation control

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

Instruments valued using market quotations are:

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

Instruments valued using 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 RISK

The Permanent Control and Operational Risk Department is managed by the Coordinator of Group Permanent Control, reporting to the Deputy Chief Executive Officer, member of executive board.

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.

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)	31/12/14 Trading book	31/12/14 Assets designated at fair value	31/12/14 Total	31/12/13 Trading book	31/12/13 Assets designated at fair value	31/12/13 Total
Bonds and other debts/instruments(1)	**865,976**		**865,976**	**840,804**		**840,804**
Equities and other variable-income securities(2)	**3,654,026**	**104,863**	**3,758,888**	**2,930,842**	**81,480**	**3,012,321**
Trading book derivatives	**1,463,601**		**1,463,601**	**1,851,761**		**1,851,761**
- Equities and variable-income securities	1,313,872		1,313,872	1,663,013		1,663,013
- Interest rate derivatives	122,394		122,394	138,598		138,598
- Currency derivatives	26,242		26,242	36,471		36,471
- Other derivatives	1,093		1,093	13,681		13,681
Total financial assets at fair value through profit or loss (*)	**5,983,602**	**104,863**	**6,088,464**	**5,623,406**	**81,480**	**5,704,886**

(*) i.e note 5.1.2 - financial assets and liabilities offsetting.

(1) of which collaterised securities at 31 December 2014: 205,647 thousand euros and at 31 December 2013: 208,289 thousand euros.

(2) of which collaterised securities at 31 December 2014: 435,975 thousand euros.

Details of financial liabilities at fair value through profit or loss

(in thousands of euros)	31/12/14 Trading book	31/12/14 Assets designated at fair value	31/12/14 Total	31/12/13 Trading book	31/12/13 Assets designated at fair value	31/12/13 Total
Debts on borrowed securities and short sale	**322,922**		**322,922**	**255,683**		**255,683**
Debt securities(1)		**2,682,491**	**2,682,491**		**2,100,610**	**2,100,610**
Trading book derivatives	**1,032,661**		**1,032,661**	**1,412,686**		**1,412,686**
- Equities and variable-income securities	941,196		941,196	1,309,069		1,309,069
- Interest rate derivatives	66,844		66,844	65,275		65,275
- Currency derivatives	17,492		17,492	27,979		27,979
- Other derivatives	7,130		7,130	10,363		10,363
Total financial liabilities at fair value through profit or loss (*)	**1,355,583**	**2,682,491**	**4,038,074**	**1,668,369**	**2,100,610**	**3,768,980**

(*) i.e note 5.1.2 - financial assets and liabilities offsetting.

(1) of which collaterised securities at 31 December 2014 : 649,682 thousand euros and at 31 December 2013: 201,168 thousand euros.

The breakdown of the Group's financial assets and liabilities by residual maturity at 31 December 2014 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	**3,758,888**	**85,983**	**280,189**	**636,073**	**519,505**	**807,825**	**6,088,464**
Bonds and other debt securities		17,508	9,156		59,828	779,483	865,976
Equities and other variable-income securities	3,758,888						3,758,888
Trading book derivatives		68,475	271,033	636,073	459,678	28,342	1,463,601
Financial liabilities at fair value through profit or loss	**289,821**	**54,850**	**140,752**	**447,752**	**1,568,791**	**1,536,108**	**4,038,074**
Debts on securities	289,821		9,156		7,770	16,175	322,922
Debt securities		1,082	1,331	34,287	1,155,269	1,490,522	2,682,491
Trading book derivatives		53,768	130,265	413,465	405,752	29,411	1,032,661

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 2014, 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:

	31/12/14				31/12/13			
(in thousands of euros)	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	**5,487,013**	**424,157**	**177,294**	**6,088,464**	**5,063,451**	**439,834**	**201,601**	**5,704,886**
Bonds and other debt instruments	781,567	43,378	41,031	865,976	762,863	41,734	36,207	840,804
Equities and other variable-income securities	3,742,103	14,219	2,566	3,758,888	3,002,917	2,148	7,256	3,012,321
Trading book derivatives	963,343	366,560	133,698	1,463,601	1,297,672	395,952	158,138	1,851,761
Available-for-sale financial assets	**20,179**			**20,179**	**19,943**			**19,943**
- UCITS	20,179			20,179	19,943			19,943
Total	**5,507,192**	**424,157**	**177,294**	**6,108,644**	**5,083,394**	**439,834**	**201,601**	**5,724,829**
Financial liabilities at fair value through profit or loss	**995,881**	**2,331,101**	**711,092**	**4,038,074**	**1,304,497**	**1,865,280**	**599,203**	**3,768,980**
Debt on borrowed securities and short sale	317,407	5,515		322,922	255,683			255,683
Debt securities	764	2,005,813	675,914	2,682,491	571	1,529,008	571,031	2,100,610
Trading book derivatives	677,711	319,772	35,178	1,032,661	1,048,242	336,272	28,173	1,412,686
Total	**995,881**	**2,331,101**	**711,092**	**4,038,074**	**1,304,497**	**1,865,280**	**599,203**	**3,768,980**

Table of movements in level 3 financial instruments

For level 3 financial instruments, the following movements occurred between 1 January 2014 and 31 December 2014:

	Financial instruments at fair value through profit or loss held for trading	
(in thousands of euros)	Financial Assets	Financial Liabilities
Beginning of the period	**201,601**	**599,203**
Valuation impact	9,717	(6,222)
New deals/issues	148,173	395,811
Transfers to other levels[1]	0	11,978
Settlements	(182,197)	(289,679)
End of the period	**177,294**	**711,092**

(1) The transfer to the "observable" level depends on the "observability" date by underlying category and product type, and by risk and maturity category.

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

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

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

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

The potential impact of this scenario on the level 3 portfolio is -13.9 million euros at 31 December 2014 versus -9.4 million euros at 31 December 2013. 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	**16,074**
New deals	7,840
Models that became non-observable	327
Purchase	(7,066)
Amortisation	(3,436)
End of the period	**13,739**

5.1.2 Off-setting of 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) applicable as of 1st January 2014 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.

IAS 32 also prescribes rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Derivatives traded with clearing houses that meet the two criteria set out in the accounting standard are offset in the balance sheet.

Under the current requirements of IAS 32, the offsetting has been determined on organised markets options. The impact on the balance sheet is -681 million euros.

(in thousands of euros)	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	Impact of master netting agreements and similar agreements	Financial instruments received as collateral	Net amounts
31/12/14						
Financial assets at fair value through profit or loss	**6,769,513**	**(681,049)**	**6,088,464**			**6,088,464**
- Financial instruments derivatives	2,144,650	(681,049)	1,463,601			1,463,601
Accrued income and other assets	**738,277**		**738,277**		**(61,920)**	**676,358**
- Guarantee deposits paid	286,982		286,982		(61,920)	225,062
Financial liabilities at fair value through profit or loss	**4,719,123**	**(681,049)**	**4,038,074**			**4,038,074**
- Financial instruments derivatives	1,713,710	(681,049)	1,032,661			1,032,661
Accrued expenses and other liabilities	**905,697**		**905,697**		**(231,019)**	**674,678**
- Guarantee deposits received	263,355		263,355		(231,019)	32,336
31/12/13						
Financial assets at fair value through profit or loss	**5,704,886**		**5,704,886**	**(1,294,891)**		**4,409,995**
- Financial instruments derivatives	1,851,761		1,851,761	(1,294,891)		556,870
Accrued income and other assets	**736,310**		**736,310**	**0**	**(87,074)**	**649,236**
- Guarantee deposits paid	231,150		231,150		(87,074)	144,076
Financial liabilities at fair value through profit or loss	**3,768,980**		**3,768,980**	**(1,294,891)**		**2,474,089**
- Financial instruments derivatives	1,412,686		1,412,686	(1,294,891)		117,795
Accrued expenses and other liabilities	**914,704**		**914,704**	**0**	**(252,202)**	**662,502**
- Guarantee deposits received	279,159		279,159		(252,202)	26,957

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

As per IFRS 7 standard, the Group has determined the impact of offsetting in OTC derivatives by a third party and on listed derivatives by market.

5.2. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(in thousands of euros)	31/12/14	31/12/13
Purchase price of available-for-sale financial assets	15,142	15,163
Remeasurement adjustment recognised in equity	5,037	4,780
Carrying value of available-for-sale financial assets	**20,179**	**19,943**
Deferred taxes	(1,914)	(1,646)
Carrying value of available-for-sale financial assets after deferred taxes	**18,265**	**18,297**

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

(in thousands of euros)	31/12/14	31/12/13
Deposits paid on security borrowing	290,199	232,184
Demand accounts	165,468	123,620
Short-term loans	156,216	24,685
Interest on current accounts	26	65
Loans and receivables due from/to credit institutions	**611,909**	**380,554**

(in thousands of euros)	31/12/14	31/12/13
Deposits received on security lending	1,257,905	802,252
Short-term borrowings	87,048	89,184
Long-term borrowings	683,712	780,632
Accrued interest	327	414
Debts due to credit institutions	**2,028,991**	**1,672,483**

The breakdown by residual maturity is as follows:

(in thousands of euros)	Overnight (excluded) to 1 month	Over 5 years	Total
31 December 2014			
Loans and receivables due from/to credit institutions	611,909		**611,909**
Debts due to credit institutions	1,345,279	683,712	**2,028,991**
31 December 2013			
Loans and receivables due from/to credit institutions	380,554		**380,554**
Debts due to credit institutions	891,850	780,632	**1,672,483**

5.4. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

(in thousands of euros)	**31/12/14**	31/12/13
Current tax assets	1,167	5,706
Deferred tax assets	20,871	18,166
Total assets	**22,039**	**23,873**
Current tax liabilities	5,464	1,267
Deferred tax liabilities	10,246	6,796
Total liabilities	**15,710**	**8,064**

5.5. ACCRUED INCOME / EXPENSES AND OTHER ASSETS / LIABILITIES

(in thousands of euros)	**31/12/14**	31/12/13
Settlement accounts related to market transactions	323,826	431,679
Guarantee deposits and bank guarantees paid	286,995	231,150
Social and tax assets	7,833	5,182
Accrued income and prepaid expenses	40,526	28,525
Other accrued income and other assets	79,097	39,774
Net asset value	**738,277**	**736,310**
Settlement accounts related to market transactions	294,786	364,685
Guarantee deposits received	263,355	279,519
Social and tax liabilities	214,064	190,524
Deferred income and accrued expenses	44,892	38,298
Other accrued expenses and other liabilities	88,601	41,679
Net liability value	**905,697**	**914,704**

5.6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	31/12/14			31/12/13
(in thousands of euros)	Gross	Amortisation and provisions	Net	Net
IT and electronics	20,082	(16,312)	3,770	2,946
Furniture, fixtures and telephony system	19,822	(16,276)	3,545	5,195
Total property, plant and equipment	**39,904**	**(32,589)**	**7,316**	**8,142**
Software	25,590	(16,614)	8,975	7,341
Other intangible assets	2,087	(2,085)	2	2
Total intangible assets	**27,676**	**(18,699)**	**8,977**	**7,342**

5.7. PROVISIONS

(in thousands of euros)	31/12/13	New provisions	Write-backs	**31/12/14**
Provisions	10,348	5,043	(129)	15,262

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.

→ 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 subsidiary Exane Limited. 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 rent 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)	31/12/13	New provisions	Write-backs	**31/12/14**
Net obligation for defined-benefit plans	3,890	1,690		5,580

Change in the present value of the defined-benefit obligation

(in thousands of euros)	31/12/13	**31/12/14**
Present value of defined benefit-obligation at the beginning of the period	**6,651**	**6,720**
Current service cost	805	723
Expense related to the measurement of the commitments	219	264
Actuarial gains/losses on obligation	(508)	585
Benefits paid	(310)	0
Exchange rate impact	(132)	366
Others	(4)	338
Present value of defined-benefit obligation at the end of the period	**6,720**	**8,997**

Change in the fair value of plan assets

(in thousands of euros)	31/12/13	**31/12/14**
Present value of plan assets at the beginning of the period	**2,735**	**2,830**
Expected return on plan assets	104	176
Actuarial gains/losses on plan assets	(3)	0
Contributions paid	432	404
Benefits paid from plan assets	(333)	0
Exchange rate impact	(105)	716
Present value of plan assets at the end of the period	**2,830**	**4,126**

Components of the cost of defined-benefit plans

(in thousands of euros)	31/12/13	31/12/14
Total expense recognised in staff costs	**920**	**807**
Service costs for the current period	805	723
Expenses related to the measurement of the commitments	219	264
Expected return of plan assets	(104)	(180)

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

	31/12/13		31/12/14	
	France	USA	France	USA
Discount rate	3.17 %	4.18 %	1.49 %	5.06 %

5.8. DEBT SECURITIES AND SUBORDINATED DEBT

(in thousands of euros)	31/12/14	31/12/13
Subordinated debt	89,500	89,500
Accrued interest	270	298
Total	**89,770**	**89,798**

The breakdown of the Group's subordinated debt by residual maturity at 31 December 2014 is as follows:

(in thousands of euros)	Overnight (excluded) to 1 month	1 to 5 years	Total
31 December 2014			
Subordinated debt	270	89,500	**89,770**
31 December 2013			
Subordinated debt	298	89,500	**89,798**

5.9. SHAREHOLDERS' EQUITY

(in thousands of euros)	31/12/13	Appropriation of 2013 net income and dividend	Changes in fair value for available-for-sale assets	Impact of valuation of employee benefits	Others	2014 Income	31/12/14
Capital	40,690						**40,690**
Consolidated earnings	287,857	(1,101)			(7)	(30,005)	**256,744**
Gain/loss in equity	2,673		(11)	(792)			**1,870**
Other shareholders' equity	50,000						**50,000**
2013 net income	38,632	(38,632)					**0**
2014 net income						56,838	**56,838**
Total	**419,852**	**(39,733)**	**(11)**	**(792)**	**(7)**	**26,833**	**406,142**

A 30 million euro interim dividend has been paid during 2014.

Equity breaks down as follows at 31 December 2014:

	31/12/14		31/12/13	
	Number of shares	% Capital	Number of shares	% Capital
Verner Investissements	180,534	100 %	180,534	100 %
Others	6	0 %	6	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)	**31/12/14**	31/12/13
Demand accounts	154	148
Deposits paid on security borrowing	74,784	43,831
Other interests	439	382
Interest income	**75,378**	**44,360**
Demand accounts	161	129
Deposits received on security lending	74,218	50,974
Subordinated debt	1,434	1,419
Other loans and cash flows	1,819	1,448
Interest expenses	**77,633**	**53,969**

6.2. NET COMMISSION INCOME AND EXPENSES

(in thousands of euros)	**31/12/14**	31/12/13
Security transactions	229,472	197,158
Forward and options contracts	17,463	15,931
Primary market	16,966	9,775
Commission (income)	**263,901**	**222,864**
Security transactions	70,233	51,181
Forward and options contracts	4,539	3,287
Cash flows	2,871	2,850
Commission (expenses)	**77,643**	**57,318**

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

(in thousands of euros)	**31/12/14**	31/12/13
Fixed-income and variable-income securities	291,677	563,562
Financial instruments	(101,633)	(398,063)
Remeasurement of currency positions	(108)	295
Net gain/loss on financial instruments at fair value through profit or loss	**189,935**	**165,793**

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 46.5 million euros in 2014 versus 39.1 million euros in 2013.

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)	**31/12/14**	31/12/13
Fixed and variable remuneration	175,333	150,903
Social security taxes	50,042	46,464
Payroll taxes	4,222	4,459
Profit-sharing	4,668	5,042
Total salary and employee benefit expenses	**234,264**	**206,868**

The average workforce of the Exane Group developed as follows:

Number of people employed	**31/12/14**	31/12/13
Executives	741.9	727.3
Supervisors	47.8	52.0
Employees	33.3	34.8
Average workforce	**823.0**	**814.1**

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)	**31/12/14**	31/12/13
Office rent	15,677	15,478
Fees	7,202	5,942
Travel and entertainment expenses	12,054	10,530
Sub-contracted IT services	10,099	9,387
Other taxes	7,404	7,008
Other expenses	41,030	34,802
Other operating expenses	**93,466**	**83,147**

6.6. DEPRECIATION / AMORTISATION EXPENSES

This item encloses depreciation/amortisation expenses on property, plant and equipment and intangible assets for the year ended 31 December 2014.

6.7. COST OF RISK

No amount was credited under this caption in 2014.

6.8. NET GAIN / LOSS ON OTHER ASSETS

This item includes gains and losses on disposals of intangible assets with no more economic future benefits.

6.9. CORPORATE INCOME TAX

The composition of the tax charge is as follows:

(in thousands of euros)	**31/12/14**	31/12/13
Current tax charge	25,793	18,196
Deferred tax assets and liabilities	475	3,316
Total	**26,268**	**21,513**

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)	**31/12/14**	31/12/13
Taxable temporary difference	20,210	17,493
Consolidation adjustments	(9,591)	(6,123)
Total	**10,619**	**11,370**
- of which income impact	(475)	(3 316)
- of which equity impact	(268)	204

Exane SA, Exane Derivatives, Exane Finance, Exane Derivatives Gerance, Exane Options 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.

For the year ended 31 December 2014, these commitments amounted to 914.5 million euros, of which 715.4 million euros received from BNP Paribas, versus 631.6 million euros for the year ended 31 December 2013, of which 494.1 million euros received from BNP Paribas.

7.2. GUARANTEE COMMITMENTS

Guarantee commitments given by the Group are primarily those granted by Exane Finance and Exane Derivatives to cover the risk that certain Group funds could fail to meet their performance targets.

For the year ended 31 December 2014, these commitments amounted to 42.1 million euros versus 45.8 million euros for the year ended 31 December 2013.

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, sales and execution on European equities.

- **Derivatives**

Exane Derivatives, a subsidiary of Exane, provides its clients with a whole range of tailor-made products, such as structured products, 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 both entities Exane Asset Management and Ellipsis Asset Management.

8.2. BREAKDOWN OF REVENUES BY BUSINESS LINE

(in millions of euros)	**31/12/14**	31/12/13
Cash Equities	209.5	170.8
Derivatives	165.0	144.5
Asset Management	39.4	37.9
Others	5.5	6.5
Total	**419.4**	**359.7**

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

Exane Derivatives, Exane SA, Exane Options and Exane Limited have branches and sales offices in Switzerland, Italy, Germany, Spain, Sweden and Singapore. 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)	**31/12/14**	31/12/13
France	7,323.6	6,709.4
UK	163.4	166.5
USA	23.3	19.7
Total	**7,510.4**	**6,895.6**

8.3.2 Breakdown of revenues

(in millions of euros)	**31/12/14**	31/12/13
France	298.5	259.9
UK	99.8	80.2
USA	21.1	19.7
Total	**419.4**	**359.8**

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

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

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying consolidated financial statements of Exane;
- the justification of our assessments;
- the specific verification and information required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and significant accounting estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of Exane as at December 31, 2014 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.

Without qualifying our opinion, we draw your attention to the matter set out in Notes 2.1 and 5.1.2 to the consolidated financial statements regarding changes in accounting policies relating to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IAS 32 amendment "Financial Instruments: Presentation".

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Accounting estimates

- As indicated in note 2.3.2 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 of models used, assessing the data and assumptions used as well as taking into consideration the risks and results related to these instruments.
- As indicated in note 2.3.1 to the consolidated financial statements, the group recognizes impairment losses for assets available for sale when there is objective evidence of decrease in the value of assets. We have audited the control system for the identification of signs of impairment, the valuation of the major lines and the estimations that led, if necessary, to cover loss of value of through impairments.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

As required by law, we have also verified in accordance with professional standards applicable in France the information given in the Group's management report. We have no matters to report regarding its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine et Courbevoie, 24th March 2015

French original signed by The statutory auditors

DELOITTE & ASSOCIES		**MAZARS**
Charlotte VANDEPUTTE	Pascal PINCEMIN	Pierre SARDET

ANNUAL FINANCIAL STATEMENTS EXANE SA

BALANCE SHEET EXANE SA

Financial year ended 31 December 2014

Assets (in thousands of euros)	Note	**31/12/14**	31/12/13
Cash and amounts due from central banks and post office banks		12	95
Receivables due from credit institutions	3.1	1,751,653	1,100,531
Customer items	3.2	676,358	923,792
Bonds, equities and other variable-income and fixed-income securities	3.3	264,196	285,674
Trading and settlement accounts		251,810	295,831
Investments in affiliates	3.4	146,448	65,185
Property, plant and equipment	3.5	4,341	4,214
Intangible assets	3.5	2,689	2,423
Other assets	3.6	247,493	198,860
Accrued income	3.7	20,616	11,991
Total assets		**3,365,616**	**2,888,595**

Liabilities (in thousands of euros)	Note	**31/12/14**	31/12/13
Due to credit institutions	3.1	2,211,664	1,836,736
Transactions with customers	3.2	230,906	161,591
Debt securities	3.3	232,619	208,663
Trading and settlement accounts		291,180	230,425
Other liabilities	3.6	52,886	65,769
Accrued expenses	3.7	17,320	11,355
Subordinated debt	3.8	89,770	89,798
Provisions	3.9	4,457	3,446
Capital for general banking risks		32,163	32,163
Shareholders' equity	3.10	**202,649**	**248,649**
Share capital		30,692	30,692
Retained earnings		98,456	98,456
Balance brought forward		498	26,173
Other shareholders' equity		50,000	50,000
Net income		23,003	43,328
Total liabilities		**3,365,616**	**2,888,595**

PROFIT AND LOSS ACCOUNT EXANE SA

Financial year ended 31 December 2014

(in thousands of euros)	Note	**31/12/14**	31/12/13
Interest income	5.1	153,094	87,608
Interest expenses	5.1	(150,480)	(85,361)
Income earned on variable-income securities	5.2	15,821	45,269
Commission income	5.3	81,823	68,993
Commission expenses	5.3	(27,165)	(23,728)
Gain/loss on trading portfolios transactions	5.4	9,626	4,896
Gain/loss on investment portfolios transactions	5.5	438	848
Other operating income	5.6	30,158	29,326
Other operating expenses	5.6	(71)	(42)
Revenues		**113,243**	**127,808**
Operating expenses	5.7	(80,474)	(79, 942)
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets		(4,706)	(4,655)
Gross operating income		**28,063**	**43,211**
Operating income		**28,063**	**43,211**
Gain/loss on non-current assets	5.8		(518)
Pre-tax income		**28,063**	**42,693**
Corporate income tax	5.9	(5,060)	635
Net income		**23,003**	**43,328**

OFF-BALANCE SHEET EXANE SA

Financial year ended 31 December 2014

(in thousands of euros)	Note	**31/12/14**	31/12/13
Commitments given			
Financing commitments			
Guarantee commitments	4.1	598,503	670,912
Commitments on securities			
Commitments received			
Financing commitments	4.2	914,083	641,197
Guarantee commitments	4.1	33,171	30,000
Commitments on securities	4.3	241,968	377,613

NOTES TO ACCOUNTING DOCUMENTS

Financial year ended 31 December 2014

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.

2. ACCOUNTING PRINCIPLES AND METHODS

The financial statements have been prepared in accordance with CRBF regulation 97-03 which regulates the preparation and publication of financial statements of investment companies other than asset managers.

They are supplemented by the requirements of regulation 2002-04 of the "Comité de la Réglementation Comptable" pertaining to the financial statements of investment companies.

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

This item includes on the one hand 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 hand 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-income and fixed-income securities of the security transactions portfolio are marked to market valued 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 (also see note 2.2.3). 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 of loss is recognised against the fair value of these securities whenever it may fall below book value at balance sheet date.

→ Securities 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 weighs on. The interests are posted 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 to the formal approval of the Group's 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 to 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 to 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 to 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 know 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, securities 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 encloses 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 the 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 2014:

Type of assets	Provisions for impairment - Type and period
Software	Straight line 3 to 5 years
IT and electronics	Straight line 3 years
Office furniture	Straight line 5 years
Fixtures	Straight line 5 years

2.6. RECOGNITION OF INCOME AND EXPENSES

Income and expenses are recorded when they originate.

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 in the off-balance sheet at 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,
- for credit default swaps at the notional,
- 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)	31/12/14	31/12/13
Deposits paid on security borrowing	1,541,425	1,034,756
Demand accounts	61,088	41,090
Short-term loans	149,140	24,685
Total assets	**1,751,653**	**1,100,531**
Deposits received on security lending	1,517,149	1,018,620
Short-term borrowing	683,712	780,632
Demand accounts	10,803	37,483
Total liabilities	**2,211,664**	**1,836,736**

The items "Deposits paid and received on security lending/borrowing" correspond to repurchase agreements. The maturity of other receivables and debts is less than one year.

3.2. CUSTOMER ITEMS

(in thousands of euros)	31/12/14	31/12/13
Accounts receivable	676,358	923,792
Total assets	**676,358**	**923,792**
Accounts payable	230,906	161,591
Total liabilities	**230,906**	**161,591**

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)	31/12/14	31/12/13
Trading portfolio(1)	**18,385**	**42,424**
- Equities and other variable-income securities	18,385	42,424
Borrowed security portfolio(2)	**192,285**	**172,332**
- Fixed-income securities	30,824	89,115
- Equities and other variable-income securities	161,461	83,217
Investment portfolio(3)	**53,526**	**70,918**
Total assets	**264,196**	**285,674**
Short selling(4)	**488**	**123**
- Equities and other variable-income securities	488	123
Debts on security borrowing(2)	**192,249**	**172,332**
- Fixed-income securities	30,824	89,115
- Equities and other variable-income securities	161,425	83,217
Debt securities(5)	**39,882**	**36,207**
Total liabilities	**232,619**	**208,663**

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

(2) Borrowed securities are recorded as assets under “Equities and other variable-income securities”. Liabilities are recorded to the balance sheet under “Liabilities on securities borrowed”. The two sub-accounts of the trading portfolio are marked-to-market.

(3) This portfolio is made of shares in Exane Asset Management and Ellipsis Asset Management funds amounting to 38.4 million euros, and shares in external funds amounting to 15.1 million euros.

(in thousands of euros)	31/12/14	31/12/13
Acquisition cost	53,526	70,918
Unrealised capital loss		
Total investment portfolio	**53,526**	**70,918**
Unrealised capital gain not accounted	7,704	12,715

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

(5) The maturity and the category of medium-term negotiable warrants issued by Exane SA is the following:

(in thousands of euros)	31/12/14	31/12/13
3 months to 1 year	37,334	
1 to 2 years		36,207
4 to 5 years	2,547	
Total	**39,882**	**36,207**

3.4. INVESTMENTS IN AFFILIATES

(in thousands of euros)	Legal status	Shareholders' equity	2014 Income	31/12/13	Acquisitions / Creation Consolidation	31/12/14
Wholly-owned French subsidiaries						
Exane Finance	French *Société Anonyme* - stock corporation	7,169	1,535	2,512	2,992	5,504
Exane Derivatives Gérance	French *Société Anonyme* - stock corporation	372	(8)	34		34
Exane Derivatives	French SNC - general partnership	79,273	33,606	19,037		19,037
Exane Participations	French SNC - general partnership	1	0	1		1
French subsidiaries held at 50 % to 100 %						
Exane Asset Management	French *Société par Actions Simplifiée*	50,102	5,796	4,639		4,639
Wholly-owned foreign subsidiaries						
Exane Limited	Private Company Limited	42,299	3,465	3,184		3,184
Exane Incorporated	Incorporation	13,608	1,437	4,224		4,224
Shares in funds managed by Exane AM (> 50 %)						
Exane Investors Alpha Fund				22,709	12,500	35,209
Exane Pléiade Fund 2				8,845		8,845
Exane Performance - Part I					65,771	65,771
Total assets				**65,185**	**81,263**	**146,448**

3.5. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	**31/12/14** Gross value	Amortisation and provisions	Net value	31/12/13 Net value
IT and electronics	15,296	(12,273)	3,023	2,083
Furniture, fixtures and telephony systems	11,575	(10,258)	1,318	2,131
Total property, plant and equipment	**26,871**	**(22,530)**	**4,341**	**4,214**
Software	19,223	(16,534)	2,689	2,423
Other intangible assets	100	(100)	0	0
Total intangible assets	**19,323**	**(16,634)**	**2,689**	**2,423**
Total property, plant and equipment and intangible assets	**46,194**	**(39,164)**	**7,030**	**6,637**

3.6. OTHER ASSETS AND LIABILITIES

(in thousands of euros)	**31/12/14**	31/12/13
Financial options purchased[1]	39,882	36,351
Collaterals[2]	169,529	125,403
Tax assets	8,738	11,657
Deposits and guarantees	14,726	14,785
Accrued commissions[3]	6,797	4,050
Other assets[4]	7,821	6,614
Total assets	**247,493**	**198,860**
Guarantee deposits received from Exane Derivatives		11,309
Social security liabilities	41,536	39,354
Tax liabilities	4,602	5,822
Suppliers	2,201	2,660
Other liabilities[5]	4,547	6,624
Total liabilities	**52,886**	**65,769**

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

(2) Including collaterals on listed markets.

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

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

(5) The other liabilities are mainly securities transactions taxes (French Financial Transactions taxes for 2.9 million euros).

3.7. NET ACCRUED INCOME AND EXPENSES

(in thousands of euros)	**31/12/14**	31/12/13
Debtor adjustments accounts	9,024	6,953
Accrued income	8,877	3,690
Prepaid expenses	2,715	1,348
Total assets	**20,616**	**11,991**
Creditor adjustments accounts	6,324	4,512
Accrued expenses	10,996	6,843
Total liabilities	**17,320**	**11,355**

Most adjustment accounts enclose market transactions currently being settled, i.e. technical, breakdown, and OTC reference accounts.

Accrued expenses mainly consist of benefits and accrued coupons related to security lending/borrowing.

3.8. SUBORDINATED DEBT

(in thousands of euros)	**31/12/14**	31/12/13	Maturity date
Perpetual subordinated debt	89,500	89,500	17/10/16
Accruals	270	298	
Total	**89,770**	**89,798**	

3.9. PROVISIONS

(in thousands of euros)	31/12/13	New provisions	Write-off	**31/12/14**
Provisions	3,446	1,068	(57)	4,457

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 2014, with the following assumptions:

Actuarial assumptions	31/12/14
Discount rate	1.49 %
Average rate of increase in salary	6 % maximum, declining with time
Retirement age	65 years old
Labour turnover rate	10 %, declining with time
Employers' contributions	53.10 %

3.10. SHAREHOLDERS' EQUITY

(in thousands of euros)	31/12/13	Appropriation of 2013 income and dividend	2014 Income	Interim dividend	31/12/14
Capital	30,692				30,692
Additional paid-in capital	9,997				9,997
Legal retained earnings	3,069				3,069
Discretionary retained earnings	85,390				85,390
Balance brought forward	26,172	4,332		(30,005)	499
Other shareholders' equity	50,000				50,000
2013 net income	43,328	(43,328)			0
2014 net income			23,003		23,003
Total	**248,649**	**(38,997)**	**23,003**	**(30 005)**	**202,649**

A 38.9 million euro dividend has been paid for 2013. A 30 million euro interim dividend has been paid during 2014.

Equity breaks down as follows at 31 December 2014:

	31/12/14		31/12/13	
	Number of shares	% Capital	Number of shares	% Capital
Verner Investissements	180,534	100 %	180,534	100 %
Other	6	0 %	6	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 Finance was granted a performance bond by Exane SA in order to hedge commitments given to bearers as regards Exane SA's security issues. This guarantee amounted to 575 million euros at 31 December 2014, versus 646 million euros at 31 December 2013.

A commitment of 23.1 million euros for the guarantee given by Exane SA to the landlord of Exane Limited has been recorded in 2014 (25 million euros as of 31 December 2013).

4.2. FINANCING COMMITMENTS

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

4.3. COMMITMENTS ON SECURITIES

This item consists of commitments on securities given by interbank counterparties as regards security-backed lending/borrowing transactions.

4.4. COMMITMENTS ON FORWARD AND OPTIONS CONTRACTS

The following table gives a detailed insight into Exane's commitments on forward and options contracts at 31 December 2014.

The commitments entailed 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)	31/12/14 Total	31/12/14 0 to 1 yr	31/12/14 1 to 5 yrs	31/12/14 > 5 yrs	31/12/13 Total	31/12/13 0 to 1 yr	31/12/13 1 to 5 yrs	31/12/13 > 5 yrs
Futures and forwards	**19,339**	**19,339**			**40,608**	**40,608**		
Organised markets	**18,063**	**18,063**			**40,118**	**40,118**		
Equity index instruments	**18,063**	18,063			**40,118**	40,118		
Over-the-counter markets	**1,277**	**1,277**			**490**	**490**		
Currency instruments	**1,277**	1,277			**490**	490		
Options	**33,171**	**30,000**		**3,171**	**30,000**		**30,000**	
Over-the-counter markets	**33,171**	**30,000**		**3,171**	**30,000**		**30,000**	
Trading securities options	**33,171**	30,000		3,171	**30,000**		30,000	
Total	52,510	49,339		3,171	70,608	40,608	30,000	

4.5. RISK MANAGEMENT

4.5.1 Financial risks monitoring

The Risk Management Department reports directly to the Deputy Chief Executive Officer of the Group, in charge of the Risk Management and Compliance Departments, himself reporting to the Group Chief Executive Officer. 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,
- anticipating cash requirements,
- defining and monitoring risk indicators,
- calculating and monitoring of regulatory liquidity ratios.

The Risk Management Department sets up the Capital Requirements Directives (CRD IV) for liquidity risk:
- calculation of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR),
- monitoring the liquid asset buffer,
- definition and application of liquidity limits,
- information to the management.

Four 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 VaR 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.

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 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 non-banking clients who have been granted specific authorisations by the Group's Risk Management Department,
- by swaps to hedge structured products which are issued by external institutions although arranged and underwritten by Exane; these transactions are entered into with highly rated financial organisations,
- by securities lending/borrowing related to proprietary trading or brokerage activities.

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.

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 BNPP financing line, in order to address activities requirements and to face liquidity crisis.

The Risk Management Department sets up the Capital Requirements Directives (CRD IV) for liquidity risk:
- calculation of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR),
- monitoring the liquid asset buffer,
- definition and application of liquidity limits,
- information to the management.

4.5.2 Operational risk

The Permanent Control and Operational Risk Department is managed by the Coordinator of Group Permanent Control, reporting to the Deputy Chief Executive Officer, member of executive board.

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.

Exane SA 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 falls into the following categories:

(in thousands of euros)	**31/12/14**	31/12/13
Deposits paid related to borrowed securities	145,743	80,984
Demand accounts	7,351	6,624
Total income	**153,094**	**87,608**
Deposits received related to lent securities	146,074	81,539
Subordinated borrowings	2,559	2,538
Borrowings	1,513	1,139
Demand accounts	335	145
Total expenses	**150,480**	**85,361**

5.2. INCOME EARNED ON VARIABLE-INCOME SECURITIES

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

5.3. COMMISSION INCOME AND EXPENSES

This item falls into the following categories:

(in thousands of euros)	**31/12/14**	31/12/13
Security transactions	74,782	64,650
Forward and options contracts	252	254
Primary market	6,788	4,090
Total income	**81,823**	**68,993**
Security transactions	24,313	20,909
Cash transactions	2,783	2,732
Forward and options contracts	69	87
Total expenses	**27,165**	**23,728**

5.4. GAIN / LOSS ON TRADING PORTFOLIOS TRANSACTIONS

This item encapsulates gains and losses related to transactions on:

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

5.5. GAIN / LOSS ON INVESTMENT PORTFOLIOS TRANSACTIONS

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

5.6. OTHER OPERATING INCOME AND OPERATING EXPENSES

(in thousands of euros)	**31/12/14**	31/12/13
Research service	15,334	14,638
Execution and clearing fees	14,197	14,262
Other recharge	627	426
Total other operating income	**30,158**	**29,326**
Other operating expenses	71	42
Total other operating expenses	**71**	**42**

The other operating income mainly comes from the fees Exane charges for research services and from the expenses the Group recharges its companies.

The other operating expenses mostly entail the subordinated debts interests.

5.7. OPERATING EXPENSES

5.7.1 Salary and employee benefit expenses

This item falls into the following categories:

(in thousands of euros)	**31/12/14**	31/12/13
Fixed and variable remuneration	42,299	40,898
Retirement bonuses and pension costs	1,068	239
Social security taxes	15,773	16,004
Profit-sharing	2,210	2,531
Total	**61,350**	**59,671**

The average workforce of Exane SA developed as follows:

Number of people employed	**31/12/14**	31/12/13
Executives	270.3	285.9
Supervisors	32.8	35.9
Employees	22.9	22.3
Total	**326.0**	**344.1**

5.7.2 Other operating expenses

(in thousands of euros)	**31/12/14**	31/12/13
Office rent	18,561	18,507
Sub-contracted IT services	6,104	6,036
Fees	2,566	3,210
Travel and entertainment expenses	3,929	3,645
Other taxes	3,634	3,485
Intragroup invoices	(28,223)	(25,733)
Other expenses	12,552	11,120
Total	**19,123**	**20,271**

5.8. GAIN / LOSS ON NON-CURRENT ASSETS

There is no gain and loss on non-current assets in 2014.

5.9. CORPORATE TAX

The French corporate income tax includes all taxes calculated on net income.
Current taxes are calculated on the 2014 fiscal year earnings.

6. CASH-FLOW STATEMENT

(in thousands of euros)	**31/12/14**	31/12/13
Operating activities		
Pre-tax net income	**28,063**	**42,694**
Non-monetary items included in pre-tax net income and other adjustments	**4,706**	**4,655**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	4,706	4,655
Net increase/decrease in cash related to assets and liabilities generated by operating activities	**398,735**	**(119,048)**
Net increase/decrease in cash related to transactions with customers	421,525	(190,261)
Net increase/decrease in cash related to transactions involving other financial assets and liabilities	(18,741)	70,402
Net increase/decrease in cash related to transactions involving non-financial assets and liabilities	1,011	176
Taxes paid	(5,060)	635
Net increase/decrease in cash and equivalents generated by operating activities	**431,504**	**(71,699)**
Investing activities		
Change in equity investments	(81,263)	(986)
Net increase/decrease related to property, plant and equipment and intangible assets	(5,099)	(2,304)
Net increase/decrease in cash and equivalents generated by investing activities	**(86,362)**	**(3,290)**
Financing activities		
Net increase/decrease in cash and equivalents related to transactions with shareholders	(69,003)	(24,499)
Net increase/decrease in cash and equivalents generated by other financing activities	(28)	3
Net increase/decrease in cash and equivalents generated by financing activities	**(69,031)**	**(24,495)**
Net increase/decrease in cash and equivalents	**276,112**	**(99,480)**
Balance of cash and equivalent accounts at the beginning of the period		
Cash and amounts due from central banks and post office banks	95	12
Demand deposits/loans with/from credit institutions	(736,205)	(636,642)
Balance of cash and equivalent accounts at the end of the period		
Cash and amounts due from central banks and post office banks	12	95
Demand deposits/loans with/from credit institutions	(460,011)	(736,205)
Net increase/decrease in cash and equivalents	**276,112**	**(99,480)**

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended 31 December 2014

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

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

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2014 on:

- the audit of the accompanying financial statements of Exane SA;
- the justification of our assessments;
- the specific verification and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and significant accounting estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Exane as at December 31, 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Impairment of investment securities and shares in affiliated entities

- As indicated in Note 2.2.1 to the financial statements, the Company determines whether it is necessary to record provisions for impairment with respect to its investments securities depending on their market value,
- As indicated in Note 2.4 to the financial statements, the 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 and other variable-yield investments held in affiliated entities leading to the determination of the necessary level of impairment.

Valuation of financial instruments

- As indicated in Note 2.2.2 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 models used, assessing the data and assumptions used as well as taking into consideration the risks and results related to these instruments.

The assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

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

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

Neuilly-sur-Seine and Courbevoie, 24th March, 2015

French original signed by The statutory auditors

DELOITTE & ASSOCIES
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