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BNP PARIBAS PERSONAL FINANCE

Report of the Statutory Auditors on the consolidated financial statements

Year ended 31 December 2020

Mazars

Public limited liability accounting and auditing company with an executive board and a supervisory board
Capital of €8,320,000 - Registered with the Nanterre Trade & Companies Register under number 784 824 153

Deloitte & Associés

Simplified joint stock company

Capital of €2,188,160 – Registered with the Nanterre Trade & Companies Register under number 572 028 041

BNP PARIBAS PERSONAL FINANCE

Société anonyme (French public limited company)

1, Boulevard Haussmann, 75009 Paris

Registered with the Paris Trade & Companies Register under number 542 097 902

Report of the Statutory Auditors on the consolidated financial statements

Year ended 31 December 2020

This is a free translation into English of the report of Statutory Auditors issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the General Meeting of Shareholders of BNP PARIBAS PERSONAL FINANCE

Opinion

In compliance with the engagement entrusted to us by the General Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas Personal Finance for the year ended 31 December 2020.

We certify that the consolidated financial statements give a true and fair view of the results of the operations during the past financial year and of the financial position and assets and liabilities at the end of the financial year of the group formed by the persons and entities included in the consolidation, in accordance with IFRS as adopted by the European Union.

The opinion expressed above is consistent with the content of our report to the Board of Directors fulfilling the functions of the specialised committee referred to in Article L.823-19 of the French Commercial Code.

Basis of our opinion

Audit framework

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

Our responsibilities under these standards are further described in the section headed “Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements” of this report.

Independence

We conducted our audit assignment in compliance with the independence rules provided by the Commercial Code and the Code of Ethics of the auditing profession for the period from 1 January 2020 to the date of our report, and in particular we did not provide any services prohibited by Article 5, paragraph 1 of Regulation (EU) no. 537/2014.

The services other than certification of the financial statements that we provided during the financial year to your company and to the entities that it controls and which are not mentioned in the management report or the notes to the consolidated financial statements were mainly the following:

- Issue of audit reports on financial statements in accordance with French and US auditing standards,
- Issue of a limited review report on the interim consolidated financial statements,
- Issue of certificates of accounting information,
- Issue of certificates and reports required by regulatory and legal provisions

Justification of our assessments - Key audit points

The global crisis linked to the COVID-19 pandemic creates special conditions for the preparation and audit of the financial statements for this financial year. Indeed, this crisis and the exceptional measures taken in the context of the health emergency lead to multiple consequences for companies, particularly for their activity and financing, as well as increased uncertainties as to their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organisation of companies and on the way audits are implemented.

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit points relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and of the forming of our above opinion. We do not express an opinion on items of these consolidated financial statements taken in isolation.

Assessment of credit risk and valuation of impairment losses (levels 1, 2 and 3) on customer loan portfolios

(Please refer to Notes 1.e.4, 1.e.5, 2.f, 4.b and 5.e to the consolidated financial statements)

Risk identified	Audit response to the risk
<p>BNP Paribas Personal Finance recognises impairment losses to cover the credit risks inherent in its activities.</p> <p>The COVID-19 pandemic has led to a health and economic crisis affecting the ability of business and personal borrowers to repay, with varying situations depending on the geographical region and business sector.</p> <p>In response to this crisis, large-scale government measures have been implemented, specific to each country (furlough schemes, various allowances, moratoriums, etc.). The regulators have also adapted their prudential system to facilitate the support of companies by banks.</p> <p>In this environment marked by significant uncertainty linked to the evolving context of the pandemic, the measurement of expected credit losses for customer loan portfolios required the exercise of increased judgement and the consideration of assumptions by the BNP Paribas Personal Finance Group, in particular for:</p> <ul style="list-style-type: none"> • assessing significant deterioration of credit risk to classify outstandings into stage 1, stage 2 or stage 3; • making projections that are taken into account in measuring expected credit losses. • estimating the amount of expected losses according to the different stages taking into account support measures and the absence of a comparable historical situation. <p>At 31 December 2020, the gross amount of customer loan outstandings exposed to credit risk was €84,090 million; the total amount of impairment losses was €4,706 million. BNP Paribas Personal Finance also increased its provisions for credit risk by €112 million in 2020 in anticipation of the application of the new definition of default.</p> <p>We considered that the assessment of credit risk and the valuation of impairment losses constituted a key audit point, as they require judgements and estimates to be made by management, particularly in the context of uncertainty linked to the pandemic and its effects in the coming years.</p>	<p>We assessed the pertinence of BNP Paribas Personal Finance's internal control system and, in particular, its adaptation to the crisis context and tested the manual or computerised controls relating to the assessment of credit risk and the valuation of expected losses.</p> <p>Our work was enhanced to take account of changing risks and an increased level of uncertainty and focused more specifically on the following processes:</p> <ul style="list-style-type: none"> • classification of outstandings by stage: we assessed changes in the indicators used to measure significant deterioration in credit risk in the specific context of exposures that have benefited from a moratorium. • valuation of expected losses (stages 1, 2 and 3): <ul style="list-style-type: none"> - With the help of our credit risk specialists and based on the internal system for independent model validation, we assessed the methodologies and forward-looking assumptions used by BNP Paribas Personal Finance, their correct operational integration, and the effectiveness of the controls relating to this system; we paid particular attention to the adjustments made during the financial year to the models to include, based on the best information available, the effects of the COVID-19 crisis and the forward-looking indicators. - Lastly, we verified that the measures granted to customers in connection with the crisis, in particular moratoriums, had been integrated into the risk assessment. • Review of back-testing methodology and results. • Consistency review of changes in risk and non-recurring items. <p>We also examined the information published in the notes relating to credit risk in the evolving context of the pandemic and in particular the information required by IFRS 9 in respect of credit risk.</p>

Impairment of goodwill*(Please refer to Notes 1.b.4 and 5.1 to the consolidated financial statements)*

Risk identified	Audit response to the risk
<p>The accounting procedures for acquisitions leads the BNP Paribas Personal Finance group to recognise goodwill as an asset in its consolidated balance sheet.</p> <p>These goodwill items correspond to the difference between the acquisition price of the shares of the companies acquired and the value of the share of interest acquired. At 31 December 2020, the carrying amount of this goodwill was €1,082 million.</p> <p>These goodwill items are the subject of impairment tests at least once a year, or more often if indications of impairment are detected. The comparison of the carrying amount of homogeneous groups with their recoverable amount is an essential element in assessing whether an impairment adjustment is necessary.</p> <p>We considered goodwill impairment to be a key audit point due to the judgement exercised by management in making assumptions about future results of acquired companies and in evaluating the recoverable amount of homogeneous groups of business lines, particularly in the context of the COVID-19 pandemic.</p>	<p>Our audit approach is based in particular on an assessment of the procedures relating to goodwill impairment tests and the controls implemented within BNP Paribas Personal Finance to identify indications of impairment of these assets.</p> <p>The work on the financial statements for the year ended 31 December 2020 carried out with our valuation specialists consisted in particular of:</p> <ul style="list-style-type: none"> • an analysis of the methodology used by BNP Paribas Personal Finance; • a critical review of the forward-looking business plans approved by the General Management of BNP Paribas Personal Finance to ensure that the estimates of future cash flows were reasonable (in particular when the forecasts are out of step with past performance). We paid particular attention to the impacts of the COVID-19 crisis, which were incorporated into these forward-looking plans. • a critical analysis of the main assumptions and parameters used (growth rate, cost of capital, NPV discount rate) in light of the external information available; • an assessment of the analyses of sensitivity of estimates to key parameters. <p>Finally, we verified the appropriateness of the disclosures related to the results of these impairment tests in the notes to the financial statements.</p>

Specific verifications

In accordance with professional standards applicable in France, we also carried out the specific verifications required by legal and regulatory texts on information relating to the group provided in the Board of Directors' management report dated 16 March 2021.

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

Other verifications or information required by laws and regulations

Appointment of Statutory Auditors

We were appointed Statutory Auditors of BNP Paribas Personal Finance by the General Meeting of Shareholders of April 2006 as regards Deloitte & Associés and by a General Meeting of Shareholders held prior to 1994 as regards Mazars. It has not been possible to retrace the history of Mazars' office.

At 31 December 2020, Deloitte & Associés was in its 15th uninterrupted year of office. At that date Mazars had been in office for more than 27 years without interruption.

Responsibilities of management and persons charged with corporate governance for the financial statements

Management is responsible for the preparation of financial statements giving a true and fair view in accordance with IFRS as adopted by the European Union and for putting in place such internal controls as it deems necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In drawing up the consolidated financial statements, it is incumbent upon management to assess the company's ability to continue as a going concern, to provide such information relating to the going concern assumption as may be necessary or appropriate and to apply the going concern accounting principle unless it intends to put the company into liquidation or cease its activities.

The Board of Directors fulfilling the functions of the specialised committee referred to in Article L.823-19 of the French Commercial Code is responsible for monitoring the financial reporting process and the effectiveness of the internal control and risk management systems and, where applicable, internal audit, with regard to procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the Statutory Auditor in respect of the audit of the consolidated financial statements

Audit objective and approach

It is for us to draw up a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain material misstatements. Reasonable assurance means a high level of assurance, which does not however guarantee that an audit performed in accordance with the standards of the profession will always detect every material misstatement. Misstatements may derive from fraud or from error and are considered material if, taken individually or together, they can reasonably be expected to be capable of influencing such economic decisions as users of the financial statements may take on the basis of those statements.

As specified by Article L.823-10-1 of the French Commercial Code, our certifying the financial statements does not imply assurance of the viability of your company or of the quality of its management.

Throughout the audit process carried out in accordance with professional standards applicable in France the Statutory Auditor exercises its professional judgement. Furthermore:

- it identifies and assesses the risks of material misstatements being contained in the consolidated financial statements whether deriving from fraud or from error, defines and implements audit procedures to address those risks and collects such evidence as it considers sufficient and appropriate on which to base its opinion. The risk of non-detection of a material misstatement arising from fraud is higher than that of such misstatement arising from error, since fraud may involve collusion, forgery, wilful omissions, false declarations or bypassing of internal controls;
- it takes note of such internal controls as are pertinent for the audit in order to define the appropriate audit procedures in each situation, but not with a view to expressing an opinion on the effectiveness of the internal controls;
- it assesses the appropriateness of the accounting methods applied and the reasonableness of the accounting estimates made by management, as well as the related information provided in the consolidated financial statements;
- it assesses the appropriateness of management's application of the going concern accounting principle and, depending on the evidence collected, the existence or otherwise of significant uncertainty associated with events or situations likely to cast serious doubt on the company's ability to stay in business. This assessment is based on the evidence collected up until the date of the audit report. However, future situations or events could call into question the company's continued operation. If it reaches the conclusion that such significant uncertainty does exist, it draws the attention of readers of the audit report to the information provided in the consolidated financial statements regarding that uncertainty or, if that information is insufficient or inappropriate, it issues a qualified opinion or refuses to certify;
- it assesses the overall presentation of the consolidated financial statements and whether they give a true and fair view of the underlying transactions and events.

- concerning the financial information of the persons or entities included in the consolidation scope, it gathers the information that it considers sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for the management, supervision and performance of the audit of the consolidated financial statements as well as the opinion expressed on these financial statements.

Report to the Board of Directors fulfilling the functions of the specialised committee referred to in Article L.823-19 of the French Commercial Code

We submit to the Board of Directors fulfilling the functions of the specialised committee referred to in Article L.823-19 of the French Commercial Code a report that outlines the scope of the audit work and the work programme implemented, as well as the conclusions resulting from our work. We also disclose any significant weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items disclosed in the report to the Board of Directors fulfilling the functions of the specialised committee referred to in Article L.823-19 of the French Commercial Code are the risks of material misstatement that we consider to have been of most significance in our audit of the consolidated financial statements for the year and which therefore constitute the key audit points, which we are required to describe in this report.

We have also provided the Board of Directors fulfilling the functions of the specialised committee referred to in Article L.823-19 of the French Commercial Code with the declaration provided by Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. If necessary, we discuss with the Board of Directors fulfilling the functions of the specialised committee referred to in Article L.823-19 of the French Commercial Code the risks weighing on our independence and the safeguarding measures applied.

Signed in Paris La Défense on 30 April 2021

The Statutory Auditors

Mazars

Deloitte & Associés

[Signature]

[Signature]

Alexandra Kritchmar

Jean-Vincent Coustel