# REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT 2017

BNP PARIBAS

The bank for a changing world

# 2017 Registration document and annual financial report

Only the French version of the Registration document has been submitted to the AMF. It is therefore the only version that is binding in law. The original document was filed with the AMF (French Securities Regulator) on 6 March 2018, in accordance with article 212-13 of the AMF's General Regulations. It may be used in support of a financial transaction only if supplemented by a Transaction Note that has received approval from the AMF. This document was prepared by the Issuer and its signatories assume responsibility for it.

*The English language version of this report is a free translation from the original, which was prepared in French. All possible care has been taken, to ensure that the translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.*

# 1 PRESENTATION OF THE BNP PARIBAS GROUP

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# 1.1 Group presentation

BNP Paribas, Europe's leading provider of banking and financial services, has four domestic Retail Banking markets in Europe, namely in France, Belgium, Italy and Luxembourg.

It operates in 73 countries and has more than 196,000 employees, including nearly 149,000 in Europe. BNP Paribas holds key positions in its two main businesses:

- Retail Banking and Services, which includes:
  - Domestic Markets, comprising:
    - French Retail Banking (FRB),
    - BNL banca commerciale (BNL bc), Italian retail banking,
    - Belgian Retail Banking (BRB),
    - Other Domestic Markets activities including Luxembourg Retail Banking (LRB);
  - International Financial Services, comprising:
    - Europe-Mediterranean,
    - BancWest,
    - Personal Finance,
    - Insurance,
    - Wealth and Asset Management;
- Corporate and Institutional Banking (CIB):
  - Corporate Banking,
  - Global Markets,
  - Securities Services.

BNP Paribas SA is the parent company of the BNP Paribas Group.

# 1.2 Key figures

## RESULTS

| | 2013 | 2014(****) | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Revenues *(in millions of euros)* | 38,409 | 39,168 | 42,938 | 43,411 | 43,161 |
| Gross operating income *(in millions of euros)* | 12,441 | 12,644 | 13,684 | 14,033 | 13,217 |
| Net income Group share *(in millions of euros)* | 4,818 | 157 | 6,694 | 7,702 | 7,759 |
| Earnings per share *(in euros)*(*) | 3.68 | 4.70(**) | 5.14 | 6.00 | 6.05 |
| Return on equity(***) | 6.1% | 7.7 %(**) | 8.3 % | 9.3% | 8.9% |

*(*) Based on net income Group share adjusted for interest on Undated Super Subordinated Notes deemed equivalent to preferred shares issued by BNP Paribas SA and treated as a dividend for accounting purposes.*
*(**) Excluding the costs related to the comprehensive settlement with the US authorities. Excluding this effect, net earnings per share came to EUR -0.07 and return on equity stood at -0.1%.*
*(***) Return on equity is calculated by dividing net income Group share (adjusted for interest on Undated Super Subordinated Notes deemed equivalent to preferred shares issued by BNP Paribas SA and treated as a dividend for accounting purposes) by average equity attributable to equity holders at 1 January and 31 December of the period concerned (after distribution and excluding Undated Super Subordinated Notes deemed equivalent to preferred shares issued by BNP Paribas SA).*
*(****) Figures restated following the application of IFRIC 21 interpretation.*

## MARKET CAPITALISATION

| | 31/12/2012 | 31/12/2013 | 31/12/2014 | 31/12/2015 | 31/12/2016 | 31/12/2017 |
|---|---|---|---|---|---|---|
| Market capitalisation *(in billions of euros)* | 53.4 | 70.5 | 61.4 | 65.1 | 75.5 | 77.7 |

*Source: Bloomberg.*

## LONG-TERM AND SHORT-TERM RATINGS

| | Long-term and short-term ratings as at 7 March 2017 | Long-term and short-term ratings as at 6 March 2018 | Outlook | Date of last review |
|---|---|---|---|---|
| Standard & Poor's | A/A-1 | A/A-1 | Stable | 31 July 2017 |
| Fitch | A+/F1 | A+/F1 | Stable | 28 September 2017 |
| Moody's | A1/Prime-1 | Aa3/Prime-1 | Stable | 27 September 2017 |
| DBRS | AA (low)/R-1 (middle) | AA (low)/R-1 (middle) | Stable | 1st August 2017 |

On 31 July 2017, Standard & Poor's confirmed the long-term credit rating of BNP Paribas at A with a stable outlook.

On 28 September 2017, Fitch confirmed the long-term rating of BNP Paribas at A+ with a stable outlook.

On 27 September 2017, following its review, Moody's upgraded the long-term rating of BNP Paribas from A1 to Aa3, with a stable outlook.

On 1st August 2017, DBRS confirmed the long-term rating of BNP Paribas at AA (low) with a stable outlook.

# 1.3 History

### 1966: Creation of BNP

The merger of BNCI and CNEP to form BNP represented the largest restructuring operation in the French banking sector since the end of the Second World War.

### 1968: Creation of Compagnie Financière de Paris et des Pays-Bas

### 1982: Nationalisation of BNP and Compagnie Financière de Paris et des Pays-Bas at the time of the nationalisation of all French banks

In the 1980s, deregulation of the banking sector and the growing tendency of borrowers to raise funds directly on the financial market transformed the banking business in France and worldwide.

### 1987: Privatisation of Compagnie Financière de Paribas

With 3.8 million individual shareholders, Compagnie Financière de Paribas had more shareholders than any other company in the world. Compagnie Financière de Paribas owned 48% of the capital of Compagnie Bancaire.

### 1993: Privatisation of BNP

BNP's return to the private sector represented a new start. The 1990s were marked by a change in the level of profitability of the Bank, which had the highest return on equity of any major French institution in 1998. This period was marked by the launch of new banking products and services, the development of activities on the financial markets, expansion in France and at the international level, and preparation for the advent of the euro.

### 1998: Creation of Paribas

On 12 May 1998, the merger between Compagnie Financière de Paribas, Banque Paribas and Compagnie Bancaire was approved.

### 1999: A momentous year for the Group

Following an unprecedented double tender offer and a stock market battle waged over six months, BNP was in a position to carry out a merger of equals with Paribas. For both groups, this was the most important event since their privatisation. It gave rise to a new Group with tremendous prospects. At a time of economic globalisation, the merger created a leading player in the European banking sector.

### 2000: Creation of BNP Paribas

BNP and Paribas merged on 23 May 2000.

The new Group derived its strength from the two major financial and banking lines from which it descends. It has two goals: to create value for shareholders, clients and employees by building the bank of the future, and to become a leading global player.

### 2006: Acquisition of BNL in Italy

BNP Paribas acquired BNL, Italy's 6th-largest bank. This acquisition transformed BNP Paribas, providing it with access to a second domestic market in Europe. In both Italy and France, all of the Group's businesses can now develop their activities by leveraging a nationwide banking network.

### 2009: Merger with the Fortis group

BNP Paribas took control of Fortis Bank and BGL (Banque Générale du Luxembourg).

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# 1.4 Presentation of activities and business lines

## RETAIL BANKING & SERVICES

Retail Banking & Services includes Retail Banking networks and specialised financial services in France and abroad. It is divided into Domestic Markets and International Financial Services. Established in more than 60 countries and employing close to 147,000 people, Retail Banking & Services accounts for 73% of the 2017 revenue generated by BNP Paribas' operating divisions.

### DOMESTIC MARKETS

Domestic Markets includes BNP Paribas' Retail Banking networks in France (BDDF), Italy (BNL bc), Belgium (BRB, operating under the BNP Paribas Fortis brand) and Luxembourg (BDEL, operating under the BGL BNP Paribas brand), as well as three specialised business lines: Arval (corporate vehicle leasing and services), BNP Paribas Leasing Solutions (leasing and financing solutions), BNP Paribas Personal Investors (online savings and brokerage), and Compte-Nickel (online banking services) acquired in July 2017.

Cash Management and Factoring round out the services provided to corporate clients under the One Bank for Corporates concept, in synergy with CIB's Corporate Banking. Wealth Management develops its Private Banking model in the domestic markets.

The purpose of Partners in Action for Customer Experience (PACE), a cross-functional team, is to help retail businesses offer a better customer experience and propose new business models to the entire Group.

Launched in 2013 and designed for use on smartphones and tablets, Hello bank! is the Group's digital bank in France, Belgium, Italy, Germany and Austria. At year-end 2017, Hello bank! had 2.9 million customers. With the acquisition of Compte-Nickel in 2017, the BNP Paribas system expanded to include new banking practices in France. The bank now offers a full set of solutions adapted to the needs of its various customer bases.

Domestic Markets employs nearly 70,000 people, including 55,700 working in the four domestic networks. It serves close to 18 million customers including close to 850,000 professionals, small businesses and corporates in 4 domestic networks.

Through Domestic Markets, BNP Paribas is the leading private bank in France[1], no. 1 in cash management in Europe[2] and no. 1 for professional equipment financing in Europe[3].

### FRENCH RETAIL BANKING (FRB)

With close to 28,000 employees, French Retail Banking (FRB) supports its customers with their plans and projects. FRB offers innovative financing, payment, wealth & asset management, and insurance solutions to 6.6 million individual customers, 573,000 professionals and VSEs, 31,300 [4] corporates (SMEs, mid-sized and large corporates) and some 61,000 associations. Combining the best in digital with a relationship approach that emphasizes human interaction, it provides its customers with broad interface capabilities, ranging from essential banking services, through a self-care solution, to customised guidance using dedicated teams that are experts in the relevant fields.

The network of branches and centres are designed to offer all customers the right facilities for their needs:

- for individual and professional customers, approximately 1,900 branches and 6,000 ATMs operating under the BNP Paribas and BNP Paribas – Banque de Bretagne brands;
- for Private Banking customers, BNP Paribas has Private Banking centres located throughout France (for customers with more than EUR 250,000 in financial assets) and 9 Wealth Management offices (for customers with more than EUR 5 million in financial assets), making BNP Paribas the leading private bank in France[1];
- for corporate clients and small businesses, a unique system organised by region:
  - 16 general business centres dedicated to corporate clients,
  - 51 SME centres to help small businesses and SMEs to manage their wealth planning and company life-cycle,
  - 39 WAI hubs to support innovative start-ups and companies by providing an offer dedicated to their specific needs;
- in addition, the Paris region has a specific structure to support corporate and small business clients:
  - 6 general business centres, 3 specialised business centres offering customised services in line with the specific needs of corporate clients, as well as 5 skills centres to address corporate sector challenges,
  - 13 business and advice centres dedicated to SMEs and their managers,

*(1) Source: Euromoney 2017, PWM-The Banker 2017, World Finance 2017.*

*(2) Source: Greenwich Associates 2017.*

*(3) Source: Leaseurope 2016 ranking published in April 2017. BNP Paribas Leasing Solutions including Arval no. 1 across all categories.*

*(4) Expressed in business groups in the context of the French Law on the Modernisation of the Economy.*

- 21 business resource centres focusing on forging closer links with VSEs,
- 24 WAI hubs including 1 dedicated fintech hub,
- 2 sites dedicated to innovation: WAI Paris and WAI Massy-Saclay, places for acceleration and connection;

- specialised subsidiaries, including BNP Paribas Factor, one of European leader in factoring, which offers client/supplier management solutions, as well as BNP Paribas Développement, a private equity provider, and Protection 24, a remote surveillance firm;
- customer support centres such as a business assistance service – *Service Assistance Entreprise* (SAE) and a Cash Customer Service (CCS);
- lastly, 50 production and sales support branches, back offices that handle all transaction processing operations.

FRB also provides its clients with a full online relationship capability, based on:

- a mabanque.bnpparibas website and the mobile app "Mes Comptes", offering services used by more than 3.6 million unique customers per month, including 2.2 million on smartphones and tablets;
- 3 customer relationship centres in Paris, Lille and Orléans, which handle requests received by e-mail, phone, chat or secure messaging, and 3 specialist contact centres, "Net Epargne/Bourse", "Net Crédit" and "Net Assurance";
- BNP Paribas' online branch, which offers the full range of BNP Paribas products and services, with a dedicated advisor for individual support; and
- Hello bank!, the Group's all online bank, with 350,000 customers at 31 December 2017.

BNP Paribas was voted best bank in France by *Euromoney* and The Banker magazines in 2017.

## BNL BANCA COMMERCIALE

BNL bc is Italy's 6th-largest bank in terms of total assets and customer loans[1]. It provides a comprehensive range of banking, financial and insurance products and services to meet the needs of its diversified customer base consisting of:

- roughly 2.5 million[2] individual customers, including approximately 370,300 Hello bank! customers;
- 130,000[2] small business and VSE customers;
- approximately 14,000[2] medium and large corporates;
- 6,700[2] local authorities and non-profit organisations.

BNL bc has a strong position in lending, especially residential mortgages (market share of around 6.8%[3]), and holds a deposit base (3.7%[3] of household current accounts) that far exceeds its market penetration rate (2.9%[3] in terms of branch numbers).

BNL bc is also well established in the markets for corporates (market share of around 4%[3] in terms of loans) and local authorities, with recognised expertise in cash management, cross-border payments, project finance, structured finance and factoring via its specialist subsidiary Ifitalia (ranked 3rd in Italy[4]).

BNL bc optimises its omni-channel retail system, organised by region ("direzioni regionali"), with one structure for Retail and Private Banking, and a separate structure for Corporate Banking:

- 752 branches, including a growing number of Open BNL omni-channel branches (approximately 117 branches) serving customers 24/7;
- 37 Private Banking centres;
- 48 small business centres;
- 46 branches dealing with SMEs, large corporates, local authorities and public sector organisations;
- 4 trade centres in Italy for its clients' cross-border activities;
- 4 Italian desks to assist Italian companies abroad and multinational companies with direct investments in Italy.

In addition, there are 1,822 ATMs, a network of approximately 382 financial advisers (called "Life Bankers"), and the Hello bank! digital network.

*(1) Source: annual and periodic reports of BNL and its competitors.*

*(2) Active clients.*

*(3) Source: Bank of Italy.*

*(4) Source: Assifact, ranking by revenues.*

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## BELGIAN RETAIL BANKING (BRB)

### Retail & Private Banking (RPB)

BNP Paribas Fortis is the no. 1 bank for retail customers[1] in Belgium and shares first place with another bank for the corporate and small business sector[2], with 3.5 million customers.

RPB serves individual customers, entrepreneurs, and small and medium enterprises through its different integrated networks, thus fitting into a hybrid banking strategy where the customer chooses between the branch network and digital channels:

- the commercial network comprises 747 branches (of which 271 are independent) and 18 centres of a new dedicated structure, the Banque des Entrepreneurs (the bank for small businesses). In addition, there are 297 Fintro franchises[3] and 662 retail outlets in partnership with Bpost Bank. Its 747 branches are organised as 47 branch groups reporting to 9 regions;
- RPB's digital platform manages a network of 3,505 ATMs, online banking services (Easy Banking) and mobile banking (1.9 million total cumulated active users);
- the bank is also available for customers thanks to the Easy Banking Centre, which handles up to 50,000 calls each week.

The offer is completed by the Hello bank! digital bank.

RPB is also a major player in the Belgian Private Banking market. Its services are aimed at individual customers with assets of more than EUR 250,000. The Wealth Management Department within Private Banking caters to clients with assets of more than EUR 5 million. Private Banking customers are served via 32 Private Banking centres, 1 Private Banking Centre by James[4] and 2 Wealth Management centres.

### Corporate Banking Belgium

Since 2017, Corporate Banking in Belgium has included the business of the former Corporate & Public Bank Belgium and certain CIB activities to achieve a simpler, stronger organisation, where products and sales interact more efficiently. CB offers a comprehensive range of financial services to corporates, public entities and local authorities. With a very large corporate and midcap customer base, CB is a challenger in both categories as well as public and non-profit banking.

## LUXEMBOURG RETAIL BANKING (LRB)

With a 16%[5] share of the Retail Banking market, and 23%[6] of the SME market, BGL BNP Paribas is the no. 2 bank in Luxembourg.

LRB is actively involved in financing the economy and constantly fine-tunes its strategy and network to align it with changing customer behaviour patterns, with a particular focus on digital.

Drawing on the expertise of its staff, LRB is there to support customers to bring their plans to fruition, with:

- a network providing banking services to some 200,000 customers through:
  - 41 branches throughout the country and 127 ATMs for individual and business customers,
  - a comprehensive and diverse range of products and services offered through its innovative multi-channel presence, encompassing a branch network, online, telephone and mobile banking,
  - a remote investment advisory service, the specialist online savings and investment bank, with a dedicated team of financial advisers to assist customers in managing their portfolios;
- a Corporate Bank serving 1,500 corporates, with dedicated business managers;
- a Private Bank organised around 5 centres offering tailored financial and asset management services to 3,500 customers.

## ARVAL

Arval is the BNP Paribas subsidiary specialising in full service vehicle leasing. It offers companies ranging from small businesses to large multinationals tailored solutions that optimise their employees' mobility and outsource the risks associated with fleet management. It has recently extended its client base to individuals.

Arval offers services related to corporate vehicle leasing (financing, insurance, maintenance, tires, etc.), additional services such as the complete outsourcing of driver management for its clients' fleet (Arval Outsourcing Solutions), a telematics solution (Arval Active Link), an online platform dedicated to customers and drivers (My Arval), and the expertise of Arval Consulting.

Arval had nearly 6,500 employees at the end of 2017, in the 29 countries where the company operates, and managed 1,103,835 vehicles. Arval relies, in addition, on strategic partnerships, thanks to the Element-Arval Global Alliance, a world leader in the sector, with a total of more than 3 million vehicles in 50 countries.

*(1) Source: Benchmarking Monitor, December 2017.*

*(2) Source: Strategic Monitor Professionals 2017. For the professional sector, 3 banks share 1st place.*

*(3) In December 2017, Fintro had 297 branches, 1,045 staff and EUR 10.596 billion in assets under management (excluding insurance business) for 304,950 active clients.*

*(4) Private Banking centre providing remote services through digital channels.*

*(5) Source: TNS ILRES – Bank Survey 2017.*

*(6) Source: TNS ILRES – SME Bank Study 2016.*

## BNP PARIBAS LEASING SOLUTIONS

BNP Paribas Leasing Solutions uses a multi-channel approach (partnerships, sales via referrals, direct sales and banking networks) to offer corporate and small business clients an array of leasing and financing solutions, ranging from equipment financing to fleet outsourcing.

With 2,900 employees and operating capabilities in 17 countries, BNP Paribas Leasing Solutions is organised by market specialities, with dedicated sales teams, to offer its customers the best possible quality of service:

- *Equipment & Logistics Solutions* for professional rolling equipment: farm machinery, construction and public works equipment, light commercial and industrial vehicles;
- *Technology Solutions* for office software, IT, telecoms and specialised office technology as well as medical equipment;
- *Bank Leasing Services*, offering leasing products and services to customers of BNP Paribas banking entities.

Along with Leasing Solutions and Arval, BNP Paribas is the leader in corporate leasing in Europe[(1)]. BNP Paribas Leasing Solutions arranged more than 320,000 financing transactions in 2017. Its total outstandings under management amount to EUR 17.7 billion[(2)].

## BNP PARIBAS PERSONAL INVESTORS

BNP Paribas Personal Investors is a digital banking and investment services specialist.

It offers a broad range of banking, savings and short- to long-term investment services to 3.3 million customers, on mobile applications, online, by phone or face to face. It also provides decision-making tools, advice and analyses.

Personal Investors also provides services and its IT platform to independent financial advisors, asset managers and fintechs. Services include market access, transactions, account management and custody services.

Covering Germany, Austria, Spain, and India, Personal Investors currently has 4,158 employees.

- BNP Paribas Personal Investors Germany

  Personal Investors operates under two brands in Germany, Consorsbank, targeted to individual customers, and DAB BNP Paribas for B2B customers. It is the 4th largest full-service direct bank[(3)] in the market by the number of customers and the 2nd largest online broker by number of executed orders by individuals[(4)]. Personal Investors offers its services to nearly 1.6 million customers in Germany.
- Sharekhan in India

  Sharekhan, acquired in November 2016, is India's 3rd largest online broker[(5)]. Its footprint extends to 575 towns through a network of 155 branches and more than 2,600 franchisees, serving 1.6 million customers.
- Hello bank! Austria

  Hello bank! Austria is the no. 4 online bank in the Austrian market[(6)]. It serves nearly 85,000 customers.
- BNP Paribas Personal Investors Spain

  Personal Investors Spain is one of the 10 leading brokers on the Spanish Stock Exchange[(7)]. Its client base includes individual customers and institutional clients, as well as asset managers.

## COMPTE-NICKEL

BNP Paribas acquired Compte-Nickel in July 2017. With this acquisition, BNP Paribas has rounded out its offering dedicated to new banking practices, and, along with Hello bank!, the retail bank's digital offering, and the branch network, it has a full range of solutions tailored to the needs of its various customer bases.

The Compte-Nickel offering is available at more than 2,900 buralistes.

Compte-Nickel had nearly 800,000 customers as at 31 December 2017.

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*(1) Source: Leaseurope 2016 ranking, published in May 2017, and placing BNP Paribas Leasing Solutions 1st in Europe for leasing companies, by both the number of new contracts and the total value of assets under management, Arval included.*

*(2) Amounts after transfer servicing.*

*(3) Excluding captive full-service direct banks of automobile makers.*

*(4) Financial communication from the major competitors.*

*(5) Ranking based on data communicated by the National Stock Exchange in India.*

*(6) Ranking based on data from modern-banking.at.*

*(7) Ranking based on data communicated by the Madrid Stock Exchange.*

# INTERNATIONAL FINANCIAL SERVICES

International Financial Services comprises the following activities serving a broad range of individual, private, small business and institutional customers:

- **International Retail Banking**, which combines Retail Banking activities in 15 countries outside the euro zone, where it deploys BNP Paribas' integrated Retail Banking model to serve individuals, SMEs, small businesses, and corporates;
- **Personal Finance**, offering credit solutions to individuals in around 30 countries through well-known brands such as Cetelem, Cofinoga or Findomestic;
- **BNP Paribas Cardif**, providing savings and protection solutions in 35 countries to insure people, their projects and assets;
- **three leading specialist businesses in Wealth and Asset Management:**
  - BNP Paribas Wealth Management: a global benchmark in Private Banking with a staff of more than 6,800, an international presence notably in Europe and in Asia, and EUR 364 billion in assets under management,
  - BNP Paribas Asset Management: a significant player in asset management, it has more than 2,333 employees in more than 30 countries, with EUR 424 billion in assets under management,
  - BNP Paribas Real Estate: among the leading providers of real estate services to corporates in Continental Europe[(1)] 4,505 staff, 36 countries (of which 15 directly) and EUR 26.0 billion in assets under management.

International Financial Services employs close to 80,000 people in more than 60 countries and enjoys strong positions in the Asia-Pacific region and the Americas, which are key development regions for the Group, where it offers BNP Paribas' products and services to customers.

## INTERNATIONAL RETAIL BANKING (IRB)

IRB combines retail and commercial banking activities in 15 countries outside the euro zone, where it deploys BNP Paribas' integrated model by leveraging the expertise from which the Group derives its strength (dynamic segmentation, multichannel, mobile banking, consumer credit, cash management, trade finance, leasing, fleet management, specialised financing, private banking, etc.), through its three business lines:

- Retail Banking, including multichannel local networks (more than 2,800 branches[(2)]), serving more than 14 million customers[(3)];
- Wealth Management, in cooperation with International Financial Services;
- Corporate Banking, with a network of 84 business centres, 25 trade centres and 14 desks for multinational companies, providing local access to BNP Paribas offers and support in all countries, in cooperation with CIB.

### BancWest

In the United States, the Retail Banking business is conducted through Bank of the West and First Hawaiian Bank, subsidiaries of BancWest Corporation since 1998.

Bank of the West markets a very broad range of Retail Banking products and services to individuals, small businesses and corporate clients, through branches and offices in 20 States in western and mid-western America. It also has strong positions across the United States in several specialised lending activities, such as marine, recreational vehicles, church lending and agribusiness. The bank is expanding its business, especially in the corporate, Weath Management and SME segments.

With a local market share of almost 44% in bank deposits[(4)], First Hawaiian Bank Inc is Hawaii's leading bank, offering banking services to a local clientele of individuals and local and international corporates.

BNP Paribas floated First Hawaiian Inc on the stock exchange in 2016, and held 61.94% of the capital as at 31 December 2017.

BancWest currently serves some 2.6 million customers. It has nearly 12,000 employees, 615 branches, and total assets estimated at USD 110.4 billion as at 31 December 2017. It ranks as the 7th-largest[(4)] commercial bank in the western United States in terms of deposits.

### Europe-Mediterranean

With 28,000 employees and a network of more than 2,200[(5)] branches, Europe-Mediterranean now serves more than 11.6 million customers across 14 countries. The entity includes the banks TEB in Turkey, BGZ BNP Paribas Bank in Poland, UkrSibbank in Ukraine, BMCI in Morocco, UBCI in Tunisia, BNP Paribas El Djazaïr in Algeria, the BICIs of 7 countries in Sub-Saharan Africa and a partnership in Asia (Bank of Nanjing in China).

Europe Med is continuing the development of its digital offering, with CEPTETEB in Turkey, which has more than 475,000 clients, and BGZ OPTIMA in Poland with over 210,000 clients.

*(1) Source: Property Week - Top 10 property services firms 2017.*

*(2) Total branches, including branches in China and Gabon, entities consolidated under the equity method.*

*(3) Total clients outside China. Bank of Nanjing, which is consolidated under the equity method, has more than 8.1 million individual customers.*

*(4) Source: SNL Financial, data at 30 June 2017. Market share of deposits of First Hawaiian Bank among commercial banks (excluding savings banks). FHB's market share and BancWest's ranking exclude non-retail deposits.*

*(5) Including branches in China and Gabon, entities consolidated under the equity method.*

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## PERSONAL FINANCE

### BNP Paribas Personal Finance, the leading specialist player in Europe(1)

BNP Paribas Personal Finance (PF) is the Group's consumer credit specialist. Personal Finance also has a mortgage(2) business in a small number of countries. With its nearly 19,500 employees in some 30 countries, BNP Paribas Personal Finance ranks as the leading specialist player in consumer credit in Europe(1).

Through its brands such as Cetelem, Cofinoga, Findomestic and AlphaCredit, Personal Finance provides a full range of consumer loans at point of sale (retail stores and car dealerships), through its customer relation centres or online. The consumer credit business also operates within the Group's Retail Banking network in some countries, through PF Inside. Personal Finance offers insurance products tailored to local needs and practices in each of the countries where it operates. In Germany, Bulgaria, France, Hungary, the Czech Republic, and Italy, the lending and insurance offer of Personal Finance has been complemented by savings products. In November 2017, BNP Paribas Personal Finance launched Hello bank! by Cetelem in the Czech Republic, providing access to all digital banking services and consumer credit solutions.

Personal Finance is also developing an active strategy of partnerships with retail chains, automobile makers and dealers, web merchants and other financial institutions (banking and insurance), drawing on its experience in the lending market and its ability to obtain integrated services tailored to the activity and commercial strategy of its partners.

In 2017, BNP Paribas Personal Finance together with PSA acquired the automotive financing activities of GM in Europe (Opel Vauxhall) and continued its expansion in Scandinavia, with the acquisition of 100% of SevenDay Finans AB, a Swedish consumer credit specialist.

It is a benchmark player for responsible lending®, a principle embodied in its tag line "More responsible together". The Company is thus heavily involved in teaching people how to manage their budget.

### More responsible together: a core commitment to responsible lending

Personal Finance has made responsible lending® the basis of its commercial strategy as a means of ensuring sustainable growth. Responsible lending® criteria are applied at each stage of the customer relationship, from preparing an offer through to granting and monitoring a loan. These criteria are based on customer needs – central to this approach – and customer satisfaction, which is assessed regularly.

This cross-company approach is implemented according to the specific characteristics of each country. In addition, structural measures such as the design and distribution of accessible and responsible products and services, as well as the Debt Collection Charter, are rolled out and implemented in all countries.

France has the most comprehensive Personal Finance offering, including, in particular, identifying and assisting clients in a potentially difficult financial position, access to independent business mediation and, since 2004, the monitoring of three publicly disclosed responsible lending® criteria: refusal rate, repayment rate with no payment incidents and risk rate.

## BNP PARIBAS CARDIF

For over 40 years, BNP Paribas Cardif has designed, developed and marketed savings and protection products and services to insure people, their projects and their assets.

With more than 100 million insurance customers in 35 countries, BNP Paribas Cardif provides saving solutions to build and grow capital but also prepare for the future, through guaranteed capital products, unit-linked funds, or Euro-growth contracts.

As the world leader in credit protection(3) insurance, BNP Paribas Cardif has extended its protection offering to include health insurance; budget insurance, income protection, and means of payment insurance; protection against unforeseeable events (unemployment, injury, death, theft, or breakage); and personal data protection, to meet consumers' changing needs.

Building on a unique business model, BNP Paribas Cardif co-creates its products and services with more than 500 of the BNP Paribas Group's internal and external distribution partners. This multi-sector partner network comprises banks, credit institutions, financial institutions, car manufacturers, retailers, telecoms, brokers and independent wealth management advisers.

In 2017, BNP Paribas Cardif carried out together with State Bank of India the initial public offering of their joint venture SBI Life, selling 4% of this life insurance company in India. After the offering, BNP Paribas Cardif held 22% of SBI Life.

To better serve its distribution partners and insurance customers, the insurer, which has close to 8,000 employees, has adopted a structure based on domestic markets (France, Italy, Luxembourg), international markets (other countries) and central functions.

## WEALTH MANAGEMENT

BNP Paribas Wealth Management encompasses BNP Paribas' Private Banking activities. The purpose of Wealth Management is to cater to a portfolio of wealthy individuals, shareholder families and entrepreneurs

*(1) Source: annual reports published by companies specialised in consumer credit. In terms of oustandings under management and consolidated outstandings, including mortgage loans, from consumer credit business.*

*(2) In the context of the Group's 2014-2016 development plan, Personal Finance's Mortgage Business was transferred to the Corporate Centre as of 1 January 2014.*

*(3) Source: Finaccord.*

seeking a comprehensive range of services to satisfy all of their wealth management and financial needs.

This global approach is based on a strong value-added offering that notably includes:

- wealth planning services;
- financial services: advisory services in asset allocation, selection of investment products, discretionary portfolio management;
- customised financing;
- expert diversification advice: vineyards, artworks, real estate, and philanthropy.

BNP Paribas Wealth Management is structured to assist customers in different markets. In Europe (in France, Italy, Belgium and Luxembourg in particular), in the United States and in some emerging markets, the development of the Private Banking business is backed by BNP Paribas' Retail Banking networks. In Asia, a high-growth region, the private bank is supported by the Bank's historic presence in the market and by Corporate and Institutional Banking to meet the most sophisticated needs. With its presence in international markets, Wealth Management is also a key player in some emerging markets.

Wealth Management's geographical coverage is supported by increased cross-functionality between geographies and support functions, the development of new talent through the Wealth Management University and the optimisation of processes and tools.

As a world-renowned private bank, with EUR 364 billion in assets under management and nearly 6,800 professionals working in Europe, Asia and the United States, BNP Paribas Wealth Management was ranked in 2017:

- "Best Private Bank in Europe"[1] for the sixth consecutive year, and no. 1 in France[2], Italy[3], and Belgium[4];
- "Best Private Bank in Asia"[5] and "Best Private Bank for UHNW in Greater China"[1];
- "Best Private Bank in the Western United States"[3];
- "Best Innovation in Customer Solutions"[5], "Best Investment Offering"[1].

## BNP PARIBAS ASSET MANAGEMENT

BNP Paribas Asset Management[6] is the dedicated asset management business of the BNP Paribas Group and has 2,333 employees. Ranked as the 12th asset managers in Europe[7], the Company manages EUR 424 billion in assets, with nearly 700 investment professionals.

BNP Paribas Asset Management offers investment services for both private investors (through internal distributors – BNP Paribas Private Banking and Retail Banking – and external distributors), businesses, and institutional investors (insurance companies, pension funds, official institutions and consultants). It focuses on providing added value by drawing on a broad range of expertise through its active equity and fixed income management, its private debt and real asset management business, and its multi-asset, quantitative and solutions (MAQS) division. Its aim is to generate sustainable performance within a rigorous risk management framework. BNP Paribas Asset Management also helps to finance an inclusive economy and combat climate change in the context of its activities.

BNP Paribas Asset Management has a major presence in Europe, with a unique set-up in the emerging countries and Asia, and a growing business in the United States.

## BNP PARIBAS REAL ESTATE

With its extensive range of services, BNP Paribas Real Estate can support its customers across all stages of the property life cycle, from building design to everyday management:

- Development – 62,000 sq.m. of commercial real estate and 2,400 housing units delivered in 2017 (the second-largest commercial real estate developer in France[8]);
- Advisory (Transaction, Advisory, Expertise) – 6 million sq.m. sold and EUR 22.5 billion in investments assisted in 2017 among the European leaders[9] – no. 1 in France in Agency/Letting and Expertise[10]);
- Investment Management – EUR 26 billion in assets under management;
- Property Management – 40.5 million sq.m. of commercial real estate managed (No. 1 in France[11]).

This multi-sector offering covers all asset classes: offices, homes, warehouses, logistics platforms, shops, hotels, serviced residences, etc.

With 4,505 employees, the Group can offer a wide array of services, based on the needs of clients, including institutional investors, corporates, public entities, and individuals.

With its geographic network in 13 countries on this continent, BNP Paribas Real Estate is one of Europe's leaders in commercial real estate. Its major markets are France, Germany, and the United Kingdom, where the Company was strengthened in 2017 with the acquisition of Strutt & Parker.

*(1) Private Banker International.*

*(2) Euromoney.*

*(3) Worldfinance.*

*(4) PWM/The Banker.*

*(5) Wealthbriefing.*

*(6) Operating until 1 June 2017 under the BNP Paribas Investment Partners brand.*

*(7) Investment and Pension Europe.*

*(8) Innovapresse Group Developers Ranking 2017 – No. 29.*

*(9) Source: Advisory – Property Week Top Agency 2017.*

*(10) Source: Agency/Letting and Expertise – Euromoney 2017.*

*(11) Source: Property Management – Xerfi France PM Ranking 2017.*

It also has:

- platforms in Hong Kong and Dubai that are the link with investors from the Middle East and Asia investing in Europe;
- and a comprehensive network of business alliances with local partners in 21 other countries, in Europe, the United States, and Africa.

In residential development, BNP Paribas Real Estate operates for the most part in France's major cities, and also develops projects in London, Milan and Rome.

## CORPORATE AND INSTITUTIONAL BANKING

With over 30,000 staff in 57 countries, BNP Paribas CIB offers capital markets, securities services, financing, treasury and financial advisory bespoke solutions to two client franchises: corporates and institutionals. Acting as a bridge between corporate and institutional clients, it aims at connecting the financing needs from corporate clients with institutional clients seeking investment opportunities. In 2017, 29% of BNP Paribas' revenues from operating divisions were generated by BNP Paribas CIB.

The CIB's streamlined and efficient organisation is designed to meet the needs of BNP Paribas' corporate and institutional clients. CIB is thus organised around three main businesses:

- Corporate Banking, with its own organisation in each region;
- Global Markets, grouping together all capital market activities; and
- Securities Services.

CIB is broken down into three main regions:

- EMEA (Europe, Middle East, Africa);
- Americas;
- APAC (Asia-Pacific).

### 2017 awards

- World's Best Bank for Corporates (Euromoney – July 2017);
- Best digital Bank in Western Europe (Euromoney – September 2017);
- Most Innovative Investment Bank for Climate Change and Sustainability (The Banker, September 2017).

### CORPORATE BANKING

Corporate Banking combines financing solutions (vanilla lending and specialised financing, including export and project, acquisition and leveraged finance), all transaction banking products (liquidity management, cash management, deposit collection and international trade transactions), corporate finance advisory services in mergers and acquisitions (advisory mandates for purchase or disposal, strategic financial advice, privatisation advice, etc.) and primary equity activities (IPOs, capital increases, convertible and exchangeable bond issues, etc.). The full range of products and services is offered to customers all over the world. To better anticipate their needs, the teams are structured by geographic area, thereby combining global expertise and local knowledge.

Thanks to this set-up and the strong coordination between the regions, any client entering a business centre can have access to a global Corporate banking platform and can benefit from the expertise of all other business centres for its activities.

In EMEA, Corporate Banking activities have a geographic presence in 34 countries. This set-up reinforces the One Bank for Corporates approach developed in close cooperation with the Group's four domestic markets and includes a network of 68 trade centres. Global Banking EMEA brings together all of CIB's financing and advisory (financing solutions and corporate finance) and transaction banking capabilities.

In Asia Pacific, Corporate Banking activities encompass a large range of financing and transaction banking products across 12 markets with strong, recognized franchises, particularly in trade finance with 25 trade centres and in cash management. Moreover, some Corporate financing experts operate within an Investment Banking platform that offers clients a comprehensive and integrated range of advisory and financing services.

In the Americas, the Corporate Banking platform is comprised of three areas: financing, advisory and credit & portfolio management. Financing Solutions Americas acts as a strategic partner in debt origination, structuring and execution through its Corporate Debt Origination, Structured Debt Origination and Trade & Treasury Solutions teams. Advisory Americas offers services in relation to mergers & acquisitions and primary and secondary equity capital markets operations. Corporate coverage teams are based in New York, Chicago, Toronto, Bogota, Santiago de Chile, Mexico City and São Paulo.

### 2017 awards

- World Best Bank for Corporates and Best Digital Bank in Western Europe (Euromoney Awards, June 2017);
- Best Bank for Trade Finance (Global Finance, January 2018);
- Best Supply Chain Finance Bank (GTR, May 2017);
- Best Export Finance Bank in EMEA (Trade Finance Magazine, March 2017);
- Equity-Linked Bank of the Year (Global Capital, March 2017);
- RMB House of the Year (AsiaRisk, 2017);
- Best Bank for Corporates, Hong Kong (Asiamoney Corporate Client Choice Survey, 2017).

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### 2017 rankings

- No. 1 European Large Corporate Banking and Cash Management (Greenwich Share Leaders, March 2017);
- No. 1 European Large Corporate Trade Finance (Greenwich Share Leader, 2017);
- No. 4 Cash Management Bank Worldwide (Euromoney Cash Management Survey, 2017);
- No. 2 EMEA Syndicated Loan Bookrunner by volume and No. 1 by number of deals (Dealogic, 2017);
- Exane BNP Paribas named No. 1 Pan-European Equity Research, No. 1 in Pan-European Sales and No. 1 Pan-European Equity House (Extel Survey, 2017);
- No. 1 EMEA Equity-Linked Bookrunner by number of deals and N°. 3 by volume (Dealogic, 2017);
- No. 9 EMEA All ECM Bookrunner by volume (Dealogic, 2017).

## GLOBAL MARKETS

Global Markets provides investment, hedging, financing and research services across asset classes, to corporate and institutional clients – as well as private and Retail Banking networks. With over 3,500 staff located across 38 countries, Global Markets' sustainable, long-term business model seamlessly connects clients to capital markets throughout EMEA, Asia Pacific and the Americas, with innovative solutions and digital platforms.

Recognised as a leading European player with global expertise in derivatives from decades of experience, Global Markets meets the diverse, specific needs of each client and contributes to the real economy with a comprehensive suite of best-in-class services, articulated around two activities covering five global business lines:

- Fixed Income, Currencies and Commodities:
  - Foreign exchange and Commodity Derivatives,
  - Rates,
  - Primary and Credit Markets (including debt capital market issuances);
- Equity and Prime Services:
  - Equity Derivatives,
  - Prime Solutions & Financing.

This Global Markets offering includes a range of sustainable financing and investment solutions designed to facilitate the energy transition.

### 2017 awards

- Derivatives House of the Year, Equity Derivatives House of the Year (IFR Awards, December 2017);
- Euro Bond House of the Year, Europe IG Corporate Bond House of the Year (IFR Awards, December 2017);
- Most Innovative Bank for Structured Products (The Banker Investment Bank Awards 2017);
- Derivatives Bank of the Year (Global Capital Derivatives Awards 2017);
- Corporate Bond House of the Year (Global Capital Bond Awards 2017);
- Equity House of the Year (Structured Products Europe Awards 2017);
- Technology Provider of the Year (Structured Products Americas Awards 2017);
- Asia House of the Year (Structured Products Asia Awards 2017);
- RMB House of the Year, Japan House of the Year (Asia Risk Awards 2017);
- Best Single Dealer Platform (Asian Private Banker Structured Products Awards for Excellence 2017).

### 2017 rankings

- No. 1 All bonds in EUR and No. 1 Corporate Bonds in EUR (Dealogic, 2017);
- No. 9 All international bonds All Currencies (Dealogic, 2017).

## SECURITIES SERVICES

Securities Services is one of the major global players in securities services with assets under custody up 9.4% to EUR 9,423 billion compared to 2016, and assets under administration up 17.7% to EUR 2,310 billion.

Securities Services offers solutions to all participants across the investment cycle:

- investment banks, broker-dealers, banks and market infrastructures (sell-side operators) are offered solutions in execution services, derivatives clearing, local and global clearing, settlement and custody for all asset classes worldwide. Outsourcing solutions for middle and back-office activities are also provided;
- institutional investors – asset managers, hedge funds, private equity funds, real estate and sovereign wealth funds, insurance companies, pension funds, fund distributors and promoters (buy-side operators) – enjoy a wide range of services: global custody, custodian and fiduciary services, transfer agent and fund distribution support, fund administration and middle-office outsourcing, investment, risk assessment and performance reporting;
- issuers (originators, arrangers and corporates) have access to a wide range of fiduciary management services: securitisation and structured finance services, debt agency services, issuer advisory, stock-option plans and employee shareholding management, shareholder services and management of Shareholders' Meetings;
- market and financing services are offered to all operators: securities lending and borrowing, foreign exchange, credit and collateral management, tripartite collateral management, trading service and financing.

In 2017, the business continued to grow in particular with the launch of a tripartite collateral management service and the announcement of an agreement with Janus Henderson Investors to take over the majority of its back office, middle office and custody activities in the United States.

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### 2017 awards

- European Custodian of the Year, European Hedge Fund Administrator, European Alternative Administrator of the Year, European administrator of the year (Highly commended) (Funds Europe Awards, 2017);
- Custodian of the Year, Custodian of the Year: France, Germany, Italy, Australia (Custody Risk Global Awards, 2017);
- Best Global Custodian Network, Best for Corporate Actions UK (Global Custodian Leaders in Custody Awards, 2017);
- Best administrator - Funds of hedge funds (Europe), (HFMWeek Awards, 2017);
- Best Global Custodian - Asia Pacific (AAM Best of the Best Awards, 2017);
- Best Sub-Custodian - Broker Dealers (The Asset AAA Awards 2017);
- Hedge fund administrator of the year (Global Investor, 2017);
- Global Securities Lending Services Provider of the Year (Central Banking Awards, 2017);
- ESG Provider of the Year (Highly commended) (European Pensions Awards, 2017).

### 2017 rankings

- Category Outperformer (Global Custodian, Hedge Fund Administration Survey, 2017);
- Outperformer in 14 markets (Global Custodian Agent Banks in Major Markets, 2017).

## CORPORATE CENTER

### PRINCIPAL INVESTMENTS

Principal Investments manages the Group's portfolio of unlisted and listed industrial and commercial investments with a view to supporting clients and extracting value over the medium and long term. The Private Equity Investment Management unit specialises in providing support for transmission and development projects for unlisted companies by taking minority equity stakes or through private debt financings. It also provides indirect financing support for the economy through private equity funds. The Listed Investment Management unit acquires and manages minority interests in predominantly French listed companies.

### PERSONAL FINANCE'S MORTGAGE BUSINESS

In the context of the Group's 2014-2016 business development plan, Personal Finance's Mortgage Business, of which a significant portion is managed in run-off, was allocated to the Corporate Centre as of 1 January 2014.

## KEY FACTORS AFFECTING THE BUSINESS

In the course of its business, BNP Paribas is exposed to a number of key factors, described in section 5.1 in the *Risk factors* sub-section. To summarise, these risks derive in particular from:

- risks related to the macroeconomic and market environment, and in particular: macroeconomic and market conditions; the political, macroeconomic or financial environment or circumstances of a region or country; access to and conditions of this funding; significant interest rate variations; maintenance of, or exit from, the prolonged low interest rate environment; the risks and conduct of other financial institutions and market participants; the volatility affecting trading and investment activities; fee-generating businesses; market levels and their liquidity;
- regulatory risks, and in particular: changes in legislative and regulatory measures; extensive and evolving regulations; non-compliance with applicable laws and regulations;
- risks related to the Bank, its strategy, its management and its operations, and in particular: risks related to the implementation of its strategic plans; integrating acquired companies without realising the expected benefits; stiffer competition; the level of provisions; unidentified or unanticipated risks which could lead to material losses; an inefficient hedging strategy; adjustments to the book value of securities and derivatives portfolios as well as debt; expected changes in accounting principles related to the classification and measurement of financial instruments (new IFRS 9 standard); the Bank's reputation; interruption in or breach of information systems; business interruption due to unforeseen external events.

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# 1.5 BNP Paribas and its shareholders

## SHARE CAPITAL

At 31 December 2016, BNP Paribas SA's share capital stood at EUR 2,494,005,306 divided into 1,247,002,653 shares. Details of historical change in share capital are provided in chapter 6, note *6a Changes in share capital*.

In 2017, the number of shares comprising the share capital was impacted by the creation of 1,856,733 shares following the exercise of stock options.

Thus, at 31 December 2017, BNP Paribas' share capital stood at EUR 2,497,718,772 divided into 1,248,859,386 shares with a par value of EUR 2 each.

The shares are all fully paid-up and are held in registered or bearer form at the choice of their holders, subject to compliance with the relevant legal provisions. **None of the Bank's shares entitles their holders to an increased dividend or double voting rights or limit the exercise of voting rights.**

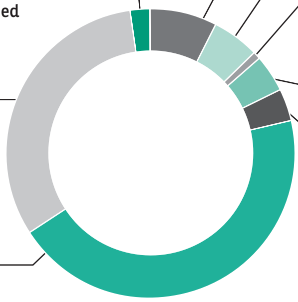
## CHANGES IN SHARE OWNERSHIP

### ➤ CHANGES IN THE BANK'S OWNERSHIP STRUCTURE OVER THE LAST THREE YEARS

| Dates | 31/12/2015 | | | 31/12/2016 | | | 31/12/2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| Shareholders | Number of shares *(in millions)* | % of share capital | % of voting rights | Number of shares *(in millions)* | % of share capital | % of voting rights | Number of shares *(in millions)* | % of share capital | % of voting rights |
| SFPI(*) | 127.75 | 10.2% | 10.3% | 127.75 | 10.2% | 10.3% | 96.55(**) | 7.7% | 7.7% |
| BlackRock Inc | 63.04 | 5.1% | 5.1% | 64.39 | 5.2% | 5.2% | 63.22(***) | 5.1% | 5.1% |
| Grand Duchy of Luxembourg | 12.87 | 1.0% | 1.0% | 12.87 | 1.0% | 1.0% | 12.87 | 1.0% | 1.0% |
| Employees | 61.46 | 4.9% | 4.9% | 56.42 | 4.5% | 4.5% | 50.22 | 4.0% | 4.0% |
| ■ o/w Group profit-sharing scheme(****) | 43.91 | 3.5% | 3.5% | 40.70 | 3.3% | 3.3% | 36.27 | 2.9% | 2.9% |
| ■ o/w direct ownership | 17.55 | 1.4% | 1.4% | 15.72 | 1.2% | 1.2% | 13.95 | 1.1% | 1.1% |
| Corporate officers | 0.15 | NS | NS | 0.17 | NS | NS | 0.16 | NS | NS |
| Treasury shares(*****) | 2.06 | 0.2% | - | 1.17 | 0.1% | - | 1.23 | 0.1% | - |
| Retail shareholders | 54.41 | 4.4% | 4.4% | 47.80 | 3.8% | 3.8% | 45.3 | 3.6% | 3.6% |
| Institutional investors | 880.12 | 70.6% | 70.7% | 916.30 | 73.5% | 73.5% | 904.42 | 76.3% | 76.4% |
| ■ Europe | 558.34 | 44.8% | 44.9% | 538.62 | 43.2% | 43.2% | 536.60 | 44.4% | 44.5% |
| ■ Outside Europe | 321.78 | 25.8% | 25.8% | 377.68 | 30.3% | 30.3% | 367.82 | 31.9% | 31.9% |
| Other and unidentified | 44.53 | 3.6% | 3.6% | 20.13 | 1.6% | 1.6% | 74.89 | 2.2% | 2.2% |
| **TOTAL** | **1,246.39** | **100%** | **100%** | **1,247.00** | **100%** | **100%** | **1,248.86** | **100%** | **100%** |

*(*) Société Fédérale de Participations et d'Investissement (SFPI): a public-interest limited company ("société anonyme") acting on behalf of the Belgian government.*
*(**) According to statement by SFPI, AMF Document No. 217C1156 dated 6 June 2017.*
*(***) According to statement by BlackRock, AMF Document No. 217C0939 dated 9 May 2017.*
*(****) The voting rights of the FCPE profit-sharing scheme are exercised, after the decision taken by the Supervisory Board, by its Chairman.*
*(*****) Excluding trading desks' inventory positions.*

### BNP PARIBAS' OWNERSHIP STRUCTURE AT 31 DECEMBER 2017 (% OF VOTING RIGHTS)




To the best of the Company's knowledge, no shareholder, other than SFPI (*Société Fédérale de Participations et d'investissements*) and BlackRock Inc, held more than 5% of the capital or voting rights as at 31 December 2017.

SFPI became a shareholder in BNP Paribas at the time of the integration with the Fortis group in 2009. During 2009, SFPI made two threshold crossing disclosures to the Autorité des Marchés Financiers (AMF):

- on 19 May 2009 (AMF disclosure No. 209C0702), SFPI disclosed that its interest in BNP Paribas' capital and voting rights had risen above the 5% and 10% disclosure thresholds following its transfer of a 74.94% stake in Fortis Bank SA/NV in return for 121,218,054 BNP Paribas shares, which at the time represented 9.83% of BNP Paribas' share capital and 11.59% of its voting rights. The disclosure stated in particular that neither the Belgian government nor SFPI were considering taking control of BNP Paribas.

  At the same time, BNP Paribas notified the AMF (AMF disclosure No. 209C0724) that an agreement had been reached between the Belgian government, SFPI and Fortis SA/NV (renamed Ageas SA/NV at end-April 2010), giving Fortis SA/NV an option to buy the 121,218,054 BNP Paribas shares issued as consideration for SFPI's transfer of its shares in Fortis Bank, with BNP Paribas having a right of subrogation regarding the shares concerned;
- on 4 December 2009 (AMF disclosure No. 209C1459), SFPI disclosed that it owned 10.8% of BNP Paribas' capital and voting rights. This change resulted mainly from:
  - BNP Paribas' capital increase through the issuance of ordinary shares in 2009,
  - the capital reduction through the cancellation, on 26 November 2009, of preferred shares issued on 31 March 2009 to Société de Prise de Participation de l'État.

On 27 April 2013, the Belgian government announced the buy-back via SFPI of the purchase option that had been given to Ageas.

on 6 June 2017 (AMF disclosure No. 217C1156), SFPI disclosed that it owned 7.74% of the share capital and voting rights of BNP Paribas; this drop below the 10% capital and voting rights thresholds resulted from the sale of shares on the market.

Since then, BNP Paribas has received no threshold crossing disclosures from SFPI.

On 9 May 2017 (AMF disclosure No. 217C0939), BlackRock Inc disclosed that its interest in BNP Paribas' capital and voting rights had risen, as at 8 May 2017 above the 5% disclosure thresholds. On this date, BlackRock held 63,223,149 BNP Paribas shares on behalf of its clients and the funds it manages.

Since then, BNP Paribas has received no threshold crossing disclosures from BlackRock Inc

## LISTING INFORMATION

When the shareholders of BNP and Paribas approved the merger between the two banks at the Combined General Meeting of 23 May 2000, BNP shares became BNP Paribas shares. The Euroclear-France code for BNP Paribas is the same as the previous BNP code (13110). Since 30 June 2003, BNP Paribas shares have been registered under ISIN code FR0000131104. To help increase the number of shares held by retail shareholders, BNP Paribas carried out a two-for-one share split on 20 February 2002, reducing the par value of the shares to EUR 2.

BNP shares were first listed on the Cash Settlement Market of the Paris Stock Exchange on 18 October 1993, following privatisation, before being transferred to the Monthly Settlement Market on 25 October of that year. When the monthly settlement system was discontinued on 25 September 2000, BNP Paribas shares became eligible for Euronext's Deferred Settlement Service (SRD).

The shares are also traded on SEAQ International in London and on the Frankfurt Stock Exchange. Since 24 July 2006 they have been traded on the MTA International exchange in Milan. Since privatisation, a Level 1 144A ADR (American Depositary Receipt) programme has been active in the United States, where JP Morgan Chase is the depositary bank (2 ADRs correspond to 1 BNP Paribas share).

The ADRs have been traded on OTCQX International Premier since 14 July 2010 in order to provide better liquidity and clarity for US investors.

BNP Paribas has been part of the CAC 40 index since 17 November 1993 and became part of the EURO STOXX 50 index on 1 November 1999. Since 18 September 2000, it has been part of the STOXX 50 index. BNP Paribas also joined the DJ Banks Titans 30 Index, an index comprising the 30 largest banks worldwide. It is also included in the EURO Stoxx Banks and STOXX Banks indexes. BNP PARIBAS shares are also included in the main sustainable development benchmarks (see chapter 7), including Euronext Vigeo, FTSE4Good Index Series, DJ Sustainability Indexes (World and Europe), UN Global Compact 100 Index, and Stoxx Global ESG Leaders.

All of these elements foster liquidity and share price appreciation, as the BNP Paribas share is necessarily a component of every portfolio and fund that tracks the performance of these indexes.

### BNP PARIBAS SHARE PERFORMANCE BETWEEN 31 DECEMBER 2014 AND 31 DECEMBER 2017

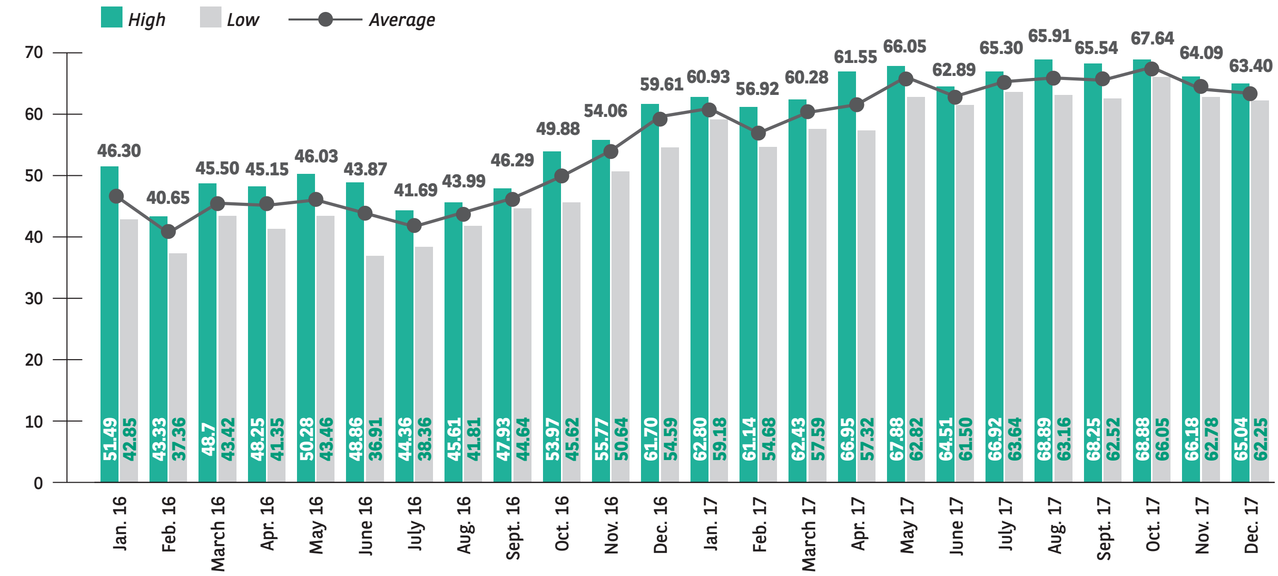
Comparison with the EURO STOXX Banks, STOXX Banks and CAC 40 indexes (rebased on share price).


*Source: Bloomberg*

In the three-year period from 31 December 2014 to 31 December 2017, BNP Paribas' share price rose 26.4% from EUR 49.26 to EUR 62.25, significantly outperforming other euro zone banks (Euro Stoxx Banks: -3.0%), European banks (Stoxx Banks: -2.5%), and outperforming the CAC 40 (+24.3%).

In 2017, European bank share price performances were characterised by a return to economic growth, particularly in Europe, the outlook for interest rate increases in the United States and the normalisation of monetary policy in Europe, as well as by the increase in certain geopolitical tensions.

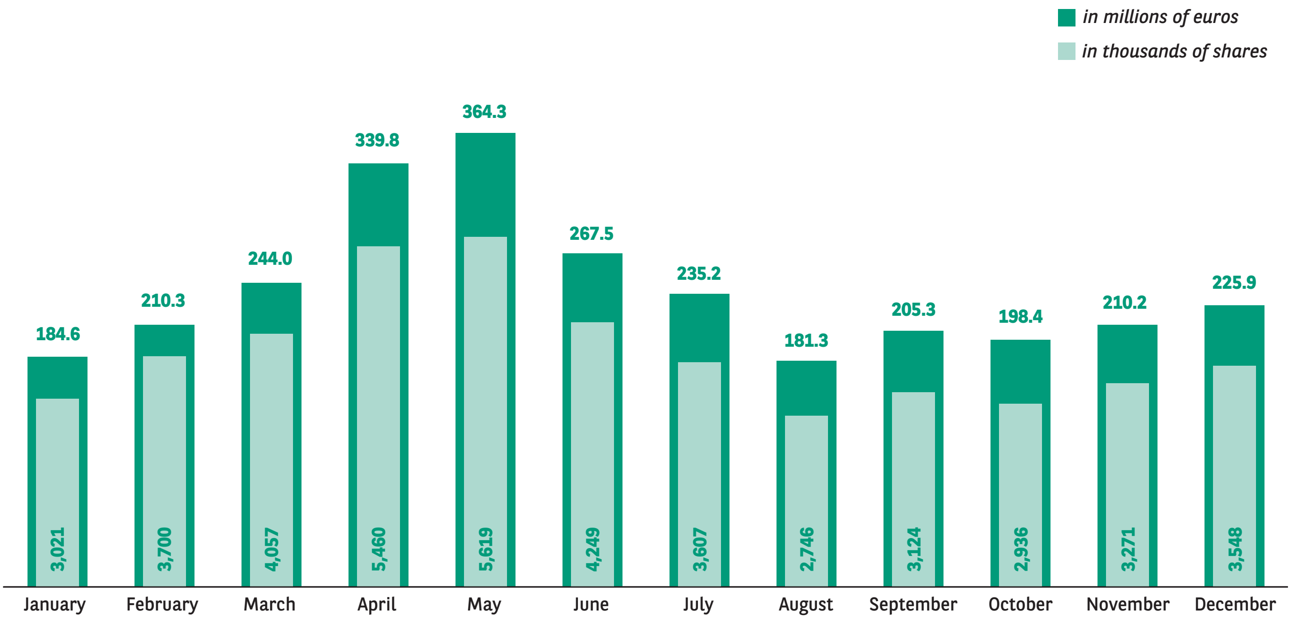
## BNP PARIBAS MONTHLY AVERAGES AND HIGH AND LOW MONTHLY CLOSING PRICES SINCE JANUARY 2016




*Source : Bloomberg*

- At 31 December 2017, BNP Paribas' market capitalisation was EUR 77.7 billion, ranking it 5th among CAC 40 stocks; BNP Paribas' free float moved the bank in 3rd place on the Paris market index and 12th in the EURO STOXX 50 index.
- In 2017 daily trading volume on Euronext Paris averaged 3,755,394 shares, down 19.97% from the previous year (4,692,312 shares per trading session in 2016). Including the volumes traded on multilateral trading facilities (MTFs), daily trading volume averaged 5,918,078 shares in 2017, down 20.6% from 7,453,770 in 2016. This trend is due to the growing share of shareholders who have adopted "indexed" management approach.

## TRADING VOLUME ON EURONEXT PARIS IN 2017 (DAILY AVERAGE)




*Source : Euronext*

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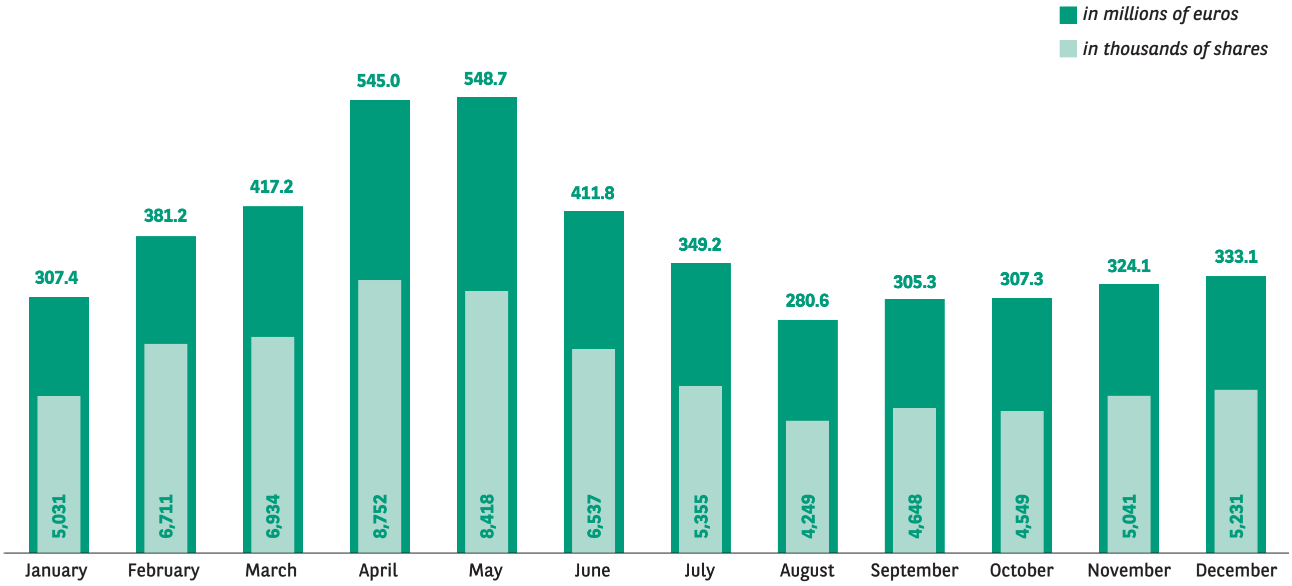
## TOTAL OF TRADING VOLUME ON EURONEXT AND MTFs IN 2017 (DAILY AVERAGE)




*Source: Euronext.*

# KEY SHAREHOLDER DATA

| *In Euros* | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Earnings per share(1) | 3.68(*) | (0.07)(**) | 5.14 | 6.00 | 6.05 |
| Net book value per share(2) | 65.00(*) | 66.61 | 70.95 | 73.90 | 75.1 |
| Net dividend per share | 1.50 | 1.50 | 2.31 | 2.70 | 3.02(3) |
| Pay-out ratio (%)(4) | 40.9(*) | n.s. | 45.0 | 45.0 | 50.0(3) |
| **Share price** | | | | | |
| High(5) | 56.72 | 60.85 | 60.68 | 62.00 | 68.89 |
| Low(5) | 37.47 | 45.45 | 44.94 | 35.27 | 54.68 |
| Year-end | 56.65 | 49.26 | 52.23 | 60.55 | 62.25 |
| CAC 40 index on 31 December | 4,295.95 | 4,272.75 | 4,637.06 | 4,862.31 | 5,312.56 |

*(1) Based on the average number of shares outstanding during the fiscal year.*
*(2) Before dividends. Revalued net assets based on the number of shares outstanding at year-end.*
*(3) Subject to approval at the Annual General Meeting of 24 May 2018.*
*(4) Dividend distribution recommended at the Annual General Meeting expressed as a percentage of net income attributable to equity holders.*
*(5) Registered during trading.*
*(*) Restated data due to application of IFRS 10 and IFRS 11.*
*(**) EUR 4.70 based on net income adjusted for the costs related to the comprehensive settlement with the US authorities.*

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# CREATING VALUE FOR SHAREHOLDERS

## TOTAL SHAREHOLDER RETURN (TSR)

### Calculation parameters

- Dividends are reinvested in BNP shares then in BNP Paribas shares; 50% tax credit is included until this system was abolished in the beginning of 2005.
- Exercise of preferential subscription rights during the rights issues in March 2006 and October 2009.
- Returns stated are gross, *i.e.* before any tax payments or brokerage fees.

### Calculation results

The following table indicates, for various periods ending on 31 December 2017, the total return on a BNP share, then on a BNP Paribas share, as well as the effective annual rate of return.

| *Holding period* | Investment date | Share price at the investment date | Number of shares at end of calculation period | Initial investment multiplied by | Effective annual rate of return |
|---|---|---|---|---|---|
| Since privatisation of BNP | 18/10/1993 | 36.59 | 5.0075 | 8.5192 | 9.25% |
| 24 years | 03/01/1994 | 43.31 | 4.5598 | 6.5539 | 8.15% |
| 23 years | 03/01/1995 | 37.20 | 4.4767 | 7.4913 | 9.15% |
| 22 years | 02/01/1996 | 33.57 | 4.3834 | 8.1283 | 9.99% |
| 21 years | 02/01/1997 | 30.40 | 4.2559 | 8.7148 | 10.86% |
| 20 years | 02/01/1998 | 48.86 | 4.1234 | 5.2534 | 8.64% |
| 19 years | 04/01/1999 | 73.05 | 4.0383 | 3.4412 | 6.72% |
| Since the creation of BNP Paribas | 01/09/1999 | 72.70 | 3.9289 | 3.3642 | 6.84% |
| 18 years | 03/01/2000 | 92.00 | 3.9289 | 2.6584 | 5.58% |
| 17 years | 02/01/2001 | 94.50 | 3.8222 | 2.5178 | 5.58% |
| 16 years | 02/01/2002 | 100.4 | 3.6980 | 2.2928 | 5.32% |
| 15 years | 02/01/2003 | 39.41 | 1.7894 | 2.8265 | 7.17% |
| 14 years | 02/01/2004 | 49.70 | 1.7211 | 2.1557 | 5.64% |
| 13 years | 03/01/2005 | 53.40 | 1.6500 | 1.9235 | 5.16% |
| 12 years | 02/01/2006 | 68.45 | 1.5916 | 1.4474 | 3.13% |
| 11 years | 02/01/2007 | 83.50 | 1.5250 | 1.1369 | 1.17% |
| 10 years | 02/01/2008 | 74.06 | 1.4738 | 1.2388 | 2.16% |
| 9 years | 02/01/2009 | 30.50 | 1.4023 | 2.8620 | 12.39% |
| 8 years | 02/01/2010 | 56.11 | 1.3346 | 1.4807 | 5.03% |
| 7 years | 03/01/2011 | 48.30 | 1.2956 | 1.6698 | 7.60% |
| 6 years | 02/01/2012 | 30.45 | 1.2459 | 2.5471 | 16.86% |
| 5 years | 02/01/2013 | 43.93 | 1.1940 | 1.6920 | 11.10% |
| 4 years | 02/01/2014 | 56.70 | 1.1551 | 1.2681 | 6.12% |
| 3 years | 02/01/2015 | 49.43 | 1.1230 | 1.4142 | 12.26% |
| 2 years | 04/01/2016 | 51.75 | 1.0938 | 1.3157 | 14.77% |
| 1 year | 02/01/2017 | 60.12 | 1.0423 | 1.0792 | 7.97% |

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# COMMUNICATION WITH SHAREHOLDERS

BNP Paribas endeavours to provide all shareholders with clear, consistent, high-quality information at regular intervals, in accordance with best market practice and the recommendations of stock market authorities.

The Investor Relations team informs institutional investors and financial analysts about the Group's strategy, major events concerning the Group's business and the Group's quarterly results.

In 2018, the timetable is as follows(1):

- 6 February 2018: publication of 2017 full year results;
- 4 May 2018: publication of first quarter 2018 results;
- 1 August 2018: publication of second quarter and first-half 2018 results;
- 30 October 2018: publication of third-quarter and nine month 2018 results.

Informative briefings are organised several times a year for all market participants, in particular when the annual and half-year results are released, or on specific topics, providing senior management with an opportunity to present the BNP Paribas Group and its strategy. More specifically, a Relations Officer is responsible for liaising with managers of ethical and socially responsible funds.

The Shareholder Relations team provides information and deals with queries from the Bank's 402,000 retail shareholders (internal sources and TPI Survey as at 31 December 2017). Shareholders receive twice a year a financial newsletter outlining the Group's main developments, and the minutes of the Annual General Meeting are sent early July. During the year, retail shareholders are invited, in different French cities, to attend presentations during which the Group's accomplishments and strategy are presented by Executive Management (in 2017, presentations were held in Lille on 14 September and in Bordeaux on 25 September). BNP Paribas representatives also met and spoke with over 1,000 people at the Actionaria shareholder fair held in Paris on 23 and 24 November 2017.

The members of **the Cercle des actionnaires de BNP Paribas** (BNP Paribas Shareholders' Group), set up in 1995, are the 45,000 retail shareholders holding at least 200 shares. They receive the financial newsletters each half-year and the minutes of the Annual General Meeting. They are also sent two printed editions of the magazine, *La Vie du Cercle*, in addition to two *newsletters* sent by email. They are also invited to attend artistic, sporting and cultural events with which BNP Paribas is associated, as well as training sessions. These include stock trading (technical and financial analysis, placing orders etc.), wealth management and economic updates sessions in partnership with the relevant BNP Paribas teams. These events are held in provincial centres and in the Paris region, both during the week and over the weekend. Nearly 300 events were organised for more than 10,000 participants in 2017.

To provide access to these services, a **website dedicated to the Cercle des Actionnaires (www.cercle-actionnaires.bnpparibas)** features all the available products and services, accessible with the Cercle membership card. Each Cercle member has a personal and secure access to the site which can be used to manage their event registrations and retrieve their invitations. A **freephone number** has also been made available, **0800 666 777**; it provides the market price and allows members to leave a voice message for the Cercle team; messages can also be sent by email to **cercle.actionnaires@bnpparibas.com**.

The **BNP Paribas website (www.invest.bnpparibas.com)**, available in French and English, offers users access to all information on the BNP Paribas Group (including press releases, key figures, coverage of the main events, etc.). All financial documents such as Annual Reports and Registration documents can also be viewed and downloaded. The financial calendar gives the dates of important forthcoming events, such as the Annual General Meeting, results announcements and shareholder seminars. The website also features the latest share performance data and comparisons with major indexes, as well as a tool for calculating returns.

Reports and presentations relating to BNP Paribas' business and strategy aimed at all audiences (institutional investors, asset managers and financial analysts) are also available. The **"Individual Shareholder"** shows information and features specifically designed for retail shareholders, in particular, access to information such as proposed events.

In addition, there is a specific section dedicated to **the Annual General Meeting of Shareholders**, which includes information regarding attendance at the meeting, ways to vote and practical matters, as well as a presentation of the resolutions and the complete text of all speeches made by corporate officers. Webcasts of the Annual General Meeting can be viewed on the Bank's website. In response to the expectations of individual shareholders and investors, and to meet strict transparency and regulatory disclosure requirements, BNP Paribas regularly adds sections to its website and improves existing sections with enhanced content and new functions.

*(1) Subject to change at a later date.*

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## SHAREHOLDER LIAISON COMMITTEE

After its formation in 2000, BNP Paribas decided to create a Shareholder Liaison Committee to help the Group improve communications with its retail shareholders. At the Shareholders' Meeting that approved the BNP Paribas merger, the Chairman of BNP Paribas initiated the process of appointing members to this committee, which was fully established in late 2000.

Chaired by Jean Lemierre, it includes ten shareholders who are both geographically and socio-professionally representative of the retail shareholder population, along with two employees or former employees. Each member serves a three-year term. When their terms expire, announcements are published in the press and/or in the Group's various financial publications, inviting new candidates to come forward. Any shareholder can become a candidate.

At its last meeting in September 2017, the members of the Liaison Committee were as follows:

- Jean Lemierre, Chairman;
- Mr Adrien Besombes, resident of the Indre-et-Loire department;
- Mr Georges Bouchard, resident of the Yvelines department;
- Mr Patrick Cunin, resident of the Essonne department;
- Ms Catherine Drolc, resident of the Hérault department;
- Mr Laurent Dupuy, resident of the Alpes-Maritimes department;
- Mr François Ferrus, resident of Paris;
- Mr André Peron, resident of the Finistère department;
- Mr Dyna Peter-Ott, resident of the Bas-Rhin department;
- Mr Jean-Pierre Riou, resident of the Loire-Atlantique department;
- Mr Jean-Jacques Rohrer, resident of the Hauts-de-Seine department;
- Mr Philippe Tassin, BNP Paribas employee;
- Ms Christine Valence, BNP Paribas employee.

In accordance with the committee's Charter – *i.e.* the Internal Rules that all committee members have adopted – the committee met twice in 2017, on 17 March and 29 September, in addition to taking part in the Annual General Meeting and attending the Actionaria shareholder fair.

The main topics of discussion included:

- BNP Paribas' capital structure and changes therein, particularly among "retail shareholders";
- proposals submitted to "*Cercle des actionnaires*" members;
- the draft 2016 Registration document and Annual Report;
- quarterly results;
- initiatives taken in preparation for the Annual General Meeting;
- the Bank's participation in the Actionaria shareholder fair. At this event, several Liaison Committee members explained the role played by the committee to people who visited the Group's stand;
- BNP Paribas' activities in insurance, presented to the members of the committee by the Chief Executive Officer of BNP Paribas Cardif;
- long-term vehicle leasing business with services, presented by Arval's Chief Executive Officer.

## DIVIDEND

At the Annual General Meeting on 24 May 2018, the Board of Directors will recommend a dividend of EUR 3.02 per share (an increase of +11.9% from 2017). The shares will go ex-dividend on 30 May and the dividend will be paid on 1 June 2018, subject to approval at the Annual General Meeting.

The total amount of the proposed payout is EUR 3,772 million, an increase of +12.02% compared with the amount paid in 2017.

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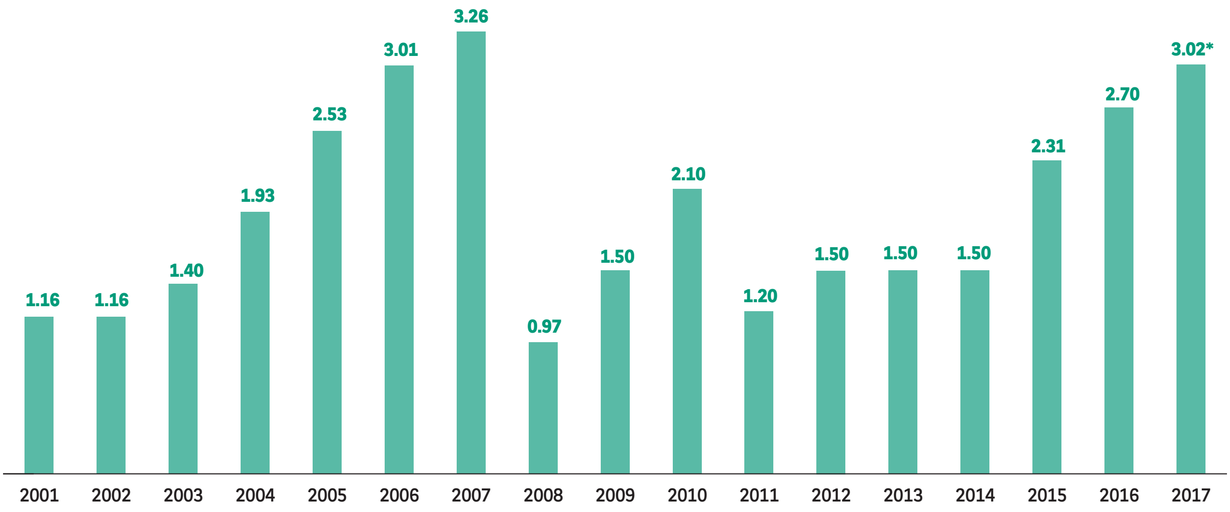
## CHANGE IN DIVIDEND (IN EURO PER SHARE)




*(*) Subject to approval at the Annual General Meeting of 24 May 2018.*

*Dividends for the 2001-2008 fiscal years have been adjusted to reflect:*

- *the two-for-one share split on 20 February 2002;*
- *capital increases with preferential subscription rights in March 2006 and between 30 September and 13 October 2009.*

**Limitation period for dividends:** any dividend unclaimed five years after its due date is forfeited, as provided by law. Dividends for which payment has not been sought are paid to the Public Treasury.

## BNP PARIBAS REGISTERED SHARES

At 31 December 2017, 28,256 shareholders held BNP Paribas registered shares.

### REGISTERED SHARES HELD DIRECTLY WITH BNP PARIBAS

Shareholders who hold registered shares directly with BNP Paribas:

- automatically receive all documents regarding the Bank that are sent to shareholders;
- can call **a French toll-free number: +33(0)800 600 700** to place buy and sell orders[1] and to obtain any information;
- benefit from special, discounted brokerage fees;
- have access to PlanetShares (https://planetshares.bnpparibas.com), a fully secure dedicated web server, allowing them to view registered share accounts and account movements, as well as place and track orders[1]; this server is also available on tablets and smartphones;
- are automatically invited to Annual General Meetings without the need for an ownership certificate;
- may receive notice of meetings by internet;
- pay no custody fees.

Registered shares held directly with BNP Paribas cannot be registered in a PEA (Share Savings Plan), given the regulations and procedures applicable to this vehicle. Investors whose shares are held in a PEA and who want to hold them in registered form can opt to hold them in an administered account (*see below*).

*(1) Subject to prior signature of a "brokerage services agreement" (free of charge).*

### REGISTERED SHARES HELD IN AN ADMINISTERED ACCOUNT

BNP Paribas is also extending its administered share account services to institutional shareholders. For institutional shareholders, this type of account combines the main benefits of holding shares in bearer form with those of holding registered shares directly with BNP Paribas:

- shares can be traded at any time, through the shareholder's usual broker;
- the shareholder can have a single share account, combined with a cash account;
- the shareholder is automatically invited to attend and vote at Annual General Meetings, without the invitation being sent through a third party;
- shareholders may receive notice of meetings and vote at Annual General Meetings by internet.

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

The procedures for BNP Paribas' Annual General Meetings are defined in article 18 of the Bank's Articles of association.

The Board of Directors calls an Ordinary Shareholders' Meeting at least once a year to vote on the agenda set by the Board.

The Board may call Extraordinary Shareholders' Meetings for the purpose of amending the Articles of association, and especially to increase the Bank's share capital. Resolutions are adopted by a two-thirds majority of shareholders present or represented.

The combined Ordinary and Extraordinary General Meeting may be called in a single notice of meeting and held on the same date.

The Bank's last Annual General Meeting took place on 23 May 2017 on first notice. The text of the resolutions and the video of the meeting can be viewed on the BNP Paribas website, which is where the original live webcast was shown. The composition of the quorum and the results of the votes cast on resolutions were posted online the day after the meeting. The meeting was also covered by publications in the specialist press and a specific letter was sent to shareholders summarising the meeting.

The quorum broke down as follows:

#### BREAKDOWN OF QUORUM

| | Number of shareholders | (%) | Equities | (%) |
|---|---|---|---|---|
| Present | 1,525 | *12.23%* | 198,641,898 | *24.37%* |
| Appointment of proxy | 26 | *0.18%* | 6,973 | *0.00%* |
| Proxy given to Chairman | 7,473 | *51.33%* | 10,255,020 | *1.26%* |
| Postal votes | 5,534 | *38.01%* | 606,095,907 | *74.37%* |
| **TOTAL** | **14,558** | ***100.00%*** | **814,999,798** | ***100.00%*** |
| *of which online* | 9,468 | *65.04%* | 119,871,165 | *17.07%* |
| | | | | **Quorum** |
| **Number of ordinary shares (excluding treasury stock)** | | | **1,247,211,419** | **65.34%** |

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All resolutions proposed to the shareholders were approved.

## ➤ SHAREHOLDERS' COMBINED GENERAL MEETING OF 23 MAY 2017

| Results | Rate of approval |
|---|---|
| ORDINARY MEETING | |
| **First resolution:** approval of the parent company financial statements for 2016 | 99.74% |
| **Second resolution:** approval of the consolidated financial statements for 2016 | 99.73% |
| **Third resolution:** appropriation of net income for the year ended 31 December 2016 and dividend distribution | 99.76% |
| **Fourth resolution:** Agreements and commitments referred to in articles L.225-38 and *seq*. of the French Commercial Code | 99.91% |
| **Fifth resolution:** authorisation for BNP Paribas to buy back its own shares | 98.65% |
| **Sixth resolution:** renewal of the term of office of Jean Lemierre as a Director | 98.90% |
| **Seventh resolution:** renewal of the term of office of Monique Cohen as a Director | 97.80% |
| **Eighth resolution:** renewal of the term of office of Daniela Schwarzer as a Director | 99.56% |
| **Ninth resolution:** renewal of the term of office of Fields Wicker-Miurin as a Director | 99.62% |
| **Tenth resolution:** appointment of Jacques Aschenbroich as a Director | 96.11% |
| **Eleventh resolution:** vote on the components of the compensation policy attributable to the Chairman of the Board of Directors | 98.31% |
| **Twelfth resolution:** vote on the components of the compensation policy attributable to the Chief Executive Officer and to the Chief Operating Officer | 82.26% |
| **Thirteenth resolution:** advisory vote on the components of the compensation due or awarded in respect of fiscal year 2016 to Mr Jean Lemierre, Chairman of the Board of Directors – recommendation of § 26.2 of the Afep-Medef Code | 98.27% |
| **Fourteenth resolution:** advisory vote on the components of the compensation due or awarded in respect of fiscal year 2016 to Mr Jean-Laurent Bonnafé, Chief Executive Officer – recommendation of § 26.2 of the Afep-Medef Code | 80.48% |
| **Fifteenth resolution:** advisory vote on the components of the compensation due or awarded in respect of fiscal year 2016 to Mr Philippe Bordenave, Chief Operating Officer – recommendation of § 26.2 of the Afep-Medef Code | 80.51% |
| **Sixteenth resolution:** advisory vote on the overall amount of compensation of any kind paid during fiscal year 2016 to executives and certain categories of staff – Article L.511-73 of the French Monetary and Financial Code | 98.82% |
| EXTRAORDINARY MEETING | |
| **Seventeenth resolution:** authorisation granted to the Board of Directors to reduce the share capital by cancelling shares | 99.64% |
| **Eighteenth resolution:** powers to carry out formalities | 99.92% |

The 2017 Annual General Meeting was an additional opportunity for BNP Paribas to demonstrate its commitment to sustainable development, and to its social and environmental responsibility.

BNP Paribas seeks to create value consistently, to show its respect not only for traditional partners comprising shareholders, clients and employees, but also for the environment and the community at large.

To ensure that Annual General Meetings represent these principles and values, a decision was made, in conjunction with the Shareholder Liaison Committee, to donate EUR 12 for every investor attending the meeting to the *Coup de pouce aux projets du personnel* (a helping hand for employee projects) programme. This programme was specifically developed by the BNP Paribas Foundation to encourage public-interest initiatives for which Bank staff personally volunteer their time and efforts.

The amounts collected (EUR 18,300 in 2017) are donated in addition to the funds that the Bank already grants to this programme *via* the BNP Paribas Foundation, which operates under the aegis of the Fondation de France. In France, total 2017 contributions were ultimately divided between 28 projects, all of which were initiated by BNP Paribas staff. Beneficiaries are located mainly in Europe (57%), Africa (28%) and 15% in the rest of the world. The amounts awarded to 24 of these projects varied (from EUR 1,000 to EUR 4,000, with an average of EUR 3,300) depending on the scale of the project and its characteristics. 4 projects received a "*coup de cœur*" bonus. The projects mainly involved community outreach (education, poverty and integration: 18%), humanitarian aid (42%), and healthcare and disability (40%). The allocation of funds is contained in the notice calling the next Annual General Meeting.

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## NOTICES OF MEETING

BNP Paribas will hold its next Shareholders' Combined General Meeting on 24 May 2018[1].

Notices of meeting and invitations are available on the invest.bnpparibas.com website in French and English from the time of their publication in the BALO. Shareholders are also notified by announcements in the daily, investor and financial press. Staffs at all BNP Paribas branches are specifically trained to provide the necessary assistance and carry out the required formalities.

Holders of registered shares are automatically notified, regardless of the number of shares held, with a complete notice of meeting containing in particular the agenda, the draft resolutions and a voting form. Having given their prior agreement, significant proportions (12.8%) of holders of registered shares were sent notification *via* the internet.

BNP Paribas informs holders of bearer shares *via* the internet regardless of the number of shares held, provided solely that their custodians are part of the market system known as Votaccess. Shareholders notified of the Annual General Meeting may take part quickly and easily. The Bank also provides custodians with notices of meetings and printed postal voting forms, which can then be sent to those shareholders who request them.

## ATTENDANCE AT MEETINGS

Holders of shares may gain admittance to a General Meeting provided these shares have been recorded in their accounts for at least two trading days. Holders of bearer shares must also present an entry card or certificate proving their ownership of the shares.

## VOTING

Using the internet voting platform gives shareholders access to the notice of the Annual General Meeting. They can then either vote or appoint a proxy, or print their admission card if they wish to attend in person.

Over 65% of all shareholders taking part in the vote in 2017 used the platform provided.

Shareholders not using the online platform returned the printed form enclosed with the notice of meeting to BNP Paribas. Before the Annual General Meeting, this document may be used:

- to request an admission card;
- to vote by post;
- to give proxy to another individual or legal entity;
- to give proxy to the Chairman of the Meeting.

Since 1998, the shareholders present at General Meetings have cast votes using an electronic box.

# DISCLOSURE THRESHOLDS

In addition to the legal thresholds, and in accordance with article 5 of the Articles of association, any shareholder, whether acting alone or in concert, who owns or may hold directly or indirectly at least 0.5% of the capital or voting rights of BNP Paribas, or any multiple of that percentage up to 5%, is required to notify BNP Paribas by registered letter with return receipt.

Once the 5% threshold is reached, shareholders are required to disclose any increase in their interest representing a multiple of 1% of the capital or voting rights of BNP Paribas.

The disclosures described in the previous two paragraphs shall also apply when the shareholding falls below the above-mentioned thresholds.

In the case of failure to comply with these disclosure requirements, either legal or statutory, the undisclosed shares will be stripped of voting rights at the request of one or more shareholders who hold a combined interest of at least 2% of the capital or voting rights of BNP Paribas.

*(1) Subject to change at a later date.*

# 2 CORPORATE GOVERNANCE AND INTERNAL CONTROL

# 2.1 Corporate governance report



This corporate governance report was prepared by the Board of Directors in accordance with the last paragraph of article L.225-37 of the French Commercial Code as amended by ordinance no. 2017-1162 of 12 July 2017.

The information contained herein notably takes into account annex I of European Regulation (EC) no. 809/2004 of 29 April 2004 (as amended), AMF Recommendation no. 2012-02[1] amended on 22 November 2017, the AMF's 2017 report[2] and the October 2017 Annual Report of the High Committee for Corporate Governance (*Haut Comité de Gouvernement d'Entreprise* – HCGE).

## 2.1.1 PRESENTATION OF CORPORATE OFFICERS

*(1) AMF recommendation no. 2012-02 – Corporate governance and remuneration of corporate officers, referring to the Afep-Medef Code – Consolidated presentation of the recommendations contained in the Annual Reports of the AMF.*

*(2) 2017 AMF report on Corporate governance and remuneration of corporate officers, internal control and risk management (November 2017).*

## MEMBERSHIP OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2017

**Jean LEMIERRE**
**Principal function: Chairman of the Board of Directors of BNP Paribas**

Date of birth: 6 June 1950
*Nationality*: French
*Term start and end dates:* 23 May 2017 – 2020 AGM
*Date first elected to the Board:* 1 December 2014, ratified by the Annual General Meeting of 13 May 2015

*Number of BNP Paribas shares held*[(1)]: 25,443[(2)]
*Office address:* 3, rue d'Antin
75002 PARIS,
FRANCE

**Education**
Graduate of the Institut d'Études Politiques de Paris
Graduate of the École Nationale d'Administration
Law Degree

**Offices[(1)] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**
BNP Paribas[(*)], Chairman of the Board of Directors
TEB Holding AS (Turkey), Director

**Other offices[(1)] held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**
Total SA[(*)], Director

**Other[(1)]:**
Center for Prospective Studies and International Information (CEPII), Chairman
Institute of International Finance (IIF), member
International Advisory Board of Orange, member
International Advisory Council of China Development Bank (CDB), member
International Advisory Council of China Investment Corporation (CIC), member
International Advisory Panel (IAP) of the Monetary Authority of Singapore (MAS), member

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: |
|---|---|---|
| **Chairman of the Board of Directors:** BNP Paribas<br>**Director:** TEB Holding AS (Turkey), Total SA<br>**Chairman:** Center for Prospective Studies and International Information (CEPII)<br>**Member:** Institute of International Finance (IIF), International Advisory Board of Orange, International Advisory Council of China Development Bank (CDB), International Advisory Council of China Investment Corporation (CIC), International Advisory Panel (IAP) of the Monetary Authority of Singapore (MAS) | **Chairman of the Board of Directors:** BNP Paribas<br>**Director:** TEB Holding AS (Turkey)<br>**Chairman:** Center for Prospective Studies and International Information (CEPII)<br>**Member:** Institute of International Finance (IIF), International Advisory Board of Orange, International Advisory Council of China Development Bank (CDB), International Advisory Council of China Investment Corporation (CIC) | **Chairman of the Board of Directors:** BNP Paribas<br>**Director:** Bank Gospodarki Zywnosciowej (BGZ) (Poland), TEB Holding AS (Turkey)<br>**Chairman:** Center for Prospective Studies and International Information (CEPII)<br>**Member:** Institute of International Finance (IIF), International Advisory Board of Orange, International Advisory Council of China Development Bank (CDB), International Advisory Council of China Investment Corporation (CIC) |

*(1) At 31 December 2017.*
*(2) Includes 1,117 BNP Paribas shares held as units in a mutual fund under the Company Savings Plan.*
*(*) Listed company.*

**Jean-Laurent BONNAFÉ**
**Principal function: Director and Chief Executive Officer of: BNP Paribas**

Date of birth: 14 July 1961
*Nationality:* French
*Term start and end dates:* 26 May 2016 – 2019 AGM
*Date first elected to the Board:* 12 May 2010

*Number of BNP Paribas shares held*(1)*:* 83,275(2)
*Office address:* 3, rue d'Antin
75002 PARIS,
FRANCE

**Education**
Graduate of the École Polytechnique
Graduate of the École des Mines

**Offices(1) held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**
BNP Paribas(*), Director and Chief Executive Officer
**Other offices(1) held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**
Carrefour(*), Director
**Other(1):**
Fédération Bancaire Française, Chairman
Association pour le Rayonnement de l'Opéra de Paris, Chairman
Entreprise pour l'Environnement, Vice-Chairman

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| **Director and Chief Executive Officer:** BNP Paribas<br>**Director:** Carrefour | **Director and Chief Executive Officer:** BNP Paribas<br>**Director:** Carrefour, BNP Paribas Fortis (Belgium) | **Director and Chief Executive Officer:** BNP Paribas<br>**Director:** Carrefour, BNP Paribas Fortis (Belgium) | **Director and Chief Executive Officer:** BNP Paribas<br>**Director:** Carrefour, Banca Nazionale del Lavoro (Italy), BNP Paribas Fortis (Belgium) |

*(1) At 31 December 2017.*
*(2) Includes 20,730 BNP Paribas shares held as units in the shareholders' fund under the Company Savings Plan.*
*(*) Listed company.*

**Jacques ASCHENBROICH**
**Principal function: Chairman and Chief Executive Officer of the Valeo Group**

Date of birth: 3 June 1954
*Nationality:* French
*Term start and end dates:* 23 May 2017 – 2020 AGM
*Date first elected to the Board:* 23 May 2017

*Number of BNP Paribas shares held*(1)*:* 1,000
*Office address:* 43, rue Bayen
75017 PARIS,
FRANCE

**Education**
Graduate of the École des Mines
Corps des Mines

**Offices(1) held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**
BNP Paribas(*), Director
**Offices (1) held under the principal function:**
Valeo Group(*), Chairman and Chief Executive Officer
**Other offices(1) held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**
Veolia Environnement(*), Director
**Participation(1) in specialised committees of French or foreign companies:**
BNP Paribas, member of the Financial Statements Committee(2)
Veolia Environnement, member of the Audit Committe and Chairman of the Research, Innovation and Sustainable Development Committee
**Others:**
École Nationale Supérieure Mines ParisTech, Chairman
Club d'affaires Franco-Japonais, Co-Chairman

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | | | |
|---|---|---|---|
| **Chairman and Chief Executive Officer:** the Valeo Group<br>**Director:** BNP Paribas, Veolia Environnement<br>**Chairman:** École Nationale Supérieure Mines ParisTech<br>**Co-Chairman:** Club d'affaires Franco-Japonais | | | |

*(1) At 31 December 2017.*
*(2) From 1 January 2018.*
*(*) Listed company.*

| **Pierre André de CHALENDAR**<br>**Principal function: Chairman and Chief Executive Officer of Compagnie de Saint-Gobain** | |
|---|---|
| Date of birth: 12 April 1958<br>*Nationality:* French<br>*Term start and end dates:* 13 May 2015 – 2018 AGM<br>*Date first elected to the Board:* 23 May 2012<br><br>*Number of BNP Paribas shares held*(1): 3,000<br>*Office address:* Les Miroirs<br>92096 LA DEFENSE CEDEX,<br>FRANCE<br><br>**Education**<br>Graduate of École Supérieure des Sciences Économiques et Commerciales (ESSEC)<br>Graduate of the École Nationale d'Administration | **Offices(1) held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**<br>BNP Paribas(*), Director<br>**Offices(1) held under the principal function:**<br>Compagnie de Saint-Gobain(*), Chairman and Chief Executive Officer<br>GIE SGPM Recherches, Director<br>Saint-Gobain Corporation, Director<br>**Participation(1) in specialised committees of French or foreign companies:**<br>BNP Paribas, Chairman of the Remuneration Committee and member of the Corporate Governance, Ethics, Nominations and CSR Committee<br>Compagnie de Saint-Gobain, member of the Strategic Committee |

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| **Chairman and Chief Executive Officer:** Compagnie de Saint-Gobain<br>**Director:** BNP Paribas, GIE SGPM Recherches,<br>Saint-Gobain Corporation (United States) | **Chairman and Chief Executive Officer:** Compagnie de Saint-Gobain<br>**Director:** BNP Paribas, GIE SGPM Recherches,<br>Saint-Gobain Corporation (United States) | **Chairman and Chief Executive Officer:** Compagnie de Saint-Gobain<br>**Director:** BNP Paribas, Veolia Environnement, GIE SGPM Recherches,<br>Saint-Gobain Corporation (United States) | **Chairman and Chief Executive Officer:** Compagnie de Saint-Gobain<br>**Chairman:** Verallia<br>**Director:** BNP Paribas, Veolia Environnement, GIE SGPM Recherches, Saint-Gobain Recherches<br>(United States of America) |

*(1) At 31 December 2017.*
*(*) Listed company.*

| **Monique COHEN**<br>**Principal function: Partner of Apax Partners** | |
|---|---|
| Date of birth: 28 January 1956<br>*Nationality:* French<br>*Term start and end dates:* 23 May 2017 – 2020 AGM<br>*Date first elected to the Board:* 12 February 2014, ratified by the Annual General Meeting of 14 May 2014<br><br>*Number of BNP Paribas shares held*[1]: 9,620<br>*Office address:* 1, rue Paul-Cézanne<br>75008 PARIS,<br>FRANCE<br><br>**Education**<br>Graduate of the École Polytechnique<br>Master's Degree in Mathematics<br>Master's Degree in Business Law | **Offices[1] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**<br>BNP Paribas(*), Director<br>**Offices[1] held under the principal function:**<br>Apax Partners SAS, member of the Board of Directors<br>Proxima Investissement SA (Luxembourg), Chairman of the Board<br>Fides Holdings, Chairman of the Board of Directors<br>Fides Acquisitions, Chairman of the Board of Directors<br>**Other offices[1] held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**<br>Hermès(*), Vice-Chairman of the Supervisory Board<br>Safran(*), Director<br>**Participation[1] in specialised committees of French or foreign companies:**<br>BNP Paribas, member of the Internal Control, Risk and Compliance Committee and of the Remuneration Committee<br>Hermès, Chairman of the Audit and Risk Committee<br>Safran, member of the Audit and Risk Committee |

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | |
|---|---|---|---|
| **Chairman of the Board of Directors:** Proxima Investment SA (Luxembourg)<br>**Vice-Chairman and member of the Supervisory Board:** Hermès<br>**Director:** BNP Paribas, Safran, Apax Partners Midmarket SAS<br>**Member:** Special Committee (advisory body) of Global Project SAS, Supervisory Board of JC Decaux | **Chairman of the Board of Directors:** Proxima Investment SA (Luxembourg)<br>**Vice-Chairman and member of the Supervisory Board:** Hermès<br>**Director:** BNP Paribas, Safran, Apax Partners Midmarket SAS<br>**Member:** Special Committee (advisory body) of Global Project SAS, Supervisory Board of JC Decaux | **Chairman of the Board of Directors:** Proxima Investment SA (Luxembourg)<br>**Chairman of the Supervisory Board:** Trocadero Participations SAS<br>**Vice-Chairman and member of the Supervisory Board:** Hermès<br>**Director:** BNP Paribas, Safran, Apax Partners Midmarket SAS<br>**Chief Operating Officer:** Altamir Gérance SA<br>**Chairman:** Trocadero Participations II SAS<br>**Member:** Special Committee (advisory body) of Global Project SAS, Supervisory Board of JC Decaux | |

*(1) At 31 December 2017.*
*(*) Listed company.*

**Wouter DE PLOEY**
**Principal function: Chief Executive Officer of ZNA (hospital group in Antwerp, Belgium)**

| | |
|---|---|
| Date of birth: 5 April 1965<br>*Nationality:* Belgian<br>*Term start and end dates:* 26 May 2016 – 2019 AGM<br>*Date first elected to the Board:* 26 May 2016<br><br>*Number of BNP Paribas shares held*[1] : 500<br>*Office address:* Leopoldstraat 26<br>B-2000 ANTWERPEN/ANVERS,<br>BELGIUM<br><br>**Education**<br>Master's degree and Doctorate in Economics from the University of Michigan, Ann Arbor (United States of America)<br>Master's in Economics *(Magna cum Laude)* and Philosophy, University of Leuven (Belgium) | **Offices[1] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**<br>BNP Paribas[*], Director<br>**Offices[1] held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**<br>Vanbreda Risk & Benefits NV, Director<br>Unibreda NV, Director<br>**Participation[1] in specialised committees of French or foreign companies:**<br>BNP Paribas, member of the Financial Statements Committee<br>**Other[1]:**<br>Gasthuiszusters Antwerpen, Director<br>Regroupement GZA-ZNA, Director<br>BluHealth Innovation Center, Director<br>Belgian-American Educational Foundation (Belgium), member<br>Chamber of Commerce bureau, VOKA Antwerp - Waasland (Belgium), Vice-Chairman<br>Lannoo publishing company (Belgium), Adviser to the Board of directors |

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| | | | |
|---|---|---|---|
| **2016:**<br>**Member of the Supervisory Board:** GIMV XL<br>**Director:** BNP Paribas<br>**Vice-Chairman:** Waasland (Belgium)<br>**Chairman:** Board of Directors of the Museum of Contemporary Art, Antwerp (Belgium)<br>**Member:** Belgian - American Educational Foundation (Belgium), of the Board of Directors of Haute École Odisee (Belgium) | | | |

*(1) At 31 December 2017.*
*(*) Listed company.*

2

**Marion GUILLOU**
**Principal function: Chairman of the Board of Directors of IAVFF-Agreenium**

Date of birth: 17 September 1954
*Nationality:* French
*Term start and end dates:* 26 May 2016 – 2019 AGM
*Date first elected to the Board:* 15 May 2013

*Number of BNP Paribas shares held*[1]: 1,000
*Office address:* 42, rue Scheffer
75116 PARIS,
FRANCE

**Education**
Graduate of the École Polytechnique
Graduate of the École Nationale du Génie Rural, des Eaux et des Forêts
Doctor of Food Sciences

**Offices[1] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**
BNP Paribas[*], Director

**Offices[1] held under the principal function:**
IAVFF-Agreenium (public institution), Chairman of the Board of Directors of Institut Agronomique, Vétérinaire et Forestier de France

**Other offices[1] held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**
Imerys[*], Director
Veolia Environnement[*], Director

**Participation[1] in specialised committees of French or foreign companies:**
BNP Paribas, member of the Corporate Governance, Ethics, Nominations and CSR Committee, and of the Internal Control, Risk Management and Compliance Committee
Imerys, member of the Nominations and Remuneration Committee
Veolia Environnement, member of the Research, Innovation and Sustainable Development Committee and the Remuneration Committee

**Other[1]:**
Universcience, Director
Care - France (NGO), Director
IHEST (Institut des Hautes Études en Sciences et Technologies), Director
Académie des Technologies, member of the Academic Counsel
Bioversity International, Director
Special Counsellor, State Council

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| **Chairman of the Board of Directors:** IAVFF-Agreenium (public institution)<br>**Director:** BNP Paribas, Apave, CGIAR, Imerys, Veolia Environnement<br>**Member:** Board of Directors of Care - France (NGO), Board of Directors of IHEST (Institut des Hautes Études en Sciences et Technologies), Board of Directors of Bioversity International | **Chairman of the Board of Directors:** IAVFF-Agreenium (public institution)<br>**Director:** BNP Paribas, Apave, CGIAR, Imerys, Veolia Environnement<br>**Member:** Board of Directors of Fondation Nationale des Sciences Politiques (FNSP) | **Chairman of the Board of Directors:** IAVFF-Agreenium (public institution)<br>**Director:** BNP Paribas, Apave, CGIAR, Imerys, Veolia Environnement | **Chairman of the Board of Directors:** IAVFF-Agreenium (public institution)<br>**Director:** BNP Paribas, Apave, CGIAR, Imerys, Veolia Environnement |

*(1) At 31 December 2017.*
*(*) Listed company.*

**Denis KESSLER**
**Principal function: Chairman and Chief Executive Officer of SCOR SE**

Date of birth: 25 March 1952
*Nationality:* French
*Term start and end dates:* 13 May 2015 – 2018 AGM
*Date first elected to the Board:* 23 May 2000

*Number of BNP Paribas shares held*(1): 2,684
*Office address:* 5, avenue Kléber
75016 PARIS,
FRANCE

**Education**
Degree in Economic Science
Degree in Social Science
Doctor of Economic Science
Graduate of the École des Hautes Études Commerciales French Institute of Actuaries, qualified member

**Offices(1) held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**
BNP Paribas(*), Director
**Offices(1) held under the principal function:**
SCOR SE(*), Chairman and Chief Executive Officer
**Other offices(1) held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**
Invesco Ltd (*) (United States), Director
**Participation(1) in specialised committees of French or foreign companies:**
BNP Paribas, Chairman of the Financial Statements Committee Invesco Ltd, member of the Audit Committee, Remuneration Committee, and Corporate Governance and Nominations Committee SCOR SE, Chairman of the Strategic Committee
**Other(1):**
Institut des Sciences morales et politiques, member
French Institute of Actuaries, qualified member
Geneva Association, member of the Board of Director
Conference Board, member (Global counsellor)
Global Reinsurance Forum - Reinsurance Advisory Board, member

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| **Chairman and Chief Executive Officer:** SCOR SE<br>**Director:** BNP Paribas, Invesco Ltd (United States)<br>**Member:** Board of Directors of Association de Genève, Global Reinsurance Forum - Reinsurance Advisory Board, Conference Board (Global counsellor) | **Chairman and Chief Executive Officer:** SCOR SE<br>**Director:** BNP Paribas, Invesco Ltd (United States)<br>**Member:** Board of Directors of the Geneva Association, of the Bureau of the French insurance companies federation (Fédération Française des Sociétés d'Assurance), Global Reinsurance Forum - Reinsurance Advisory Board, Conference Board (Global counsellor) | **Chairman and Chief Executive Officer:** SCOR SE<br>**Director:** BNP Paribas, Invesco Ltd (United States)<br>**Member of the Supervisory Board:** Yam Invest NV (Netherlands)<br>**Member:** Board of Directors of the Geneva Association, Board of Directors of the Association Le Siècle, Global Reinsurance Forum-Reinsurance Advisory Board Laboratoire d'Excellence Finance et Croissance Durable (LabexFCD), Conference Board (Global counsellor) | **Chairman and Chief Executive Officer:** SCOR SE<br>**Director:** BNP Paribas, Dassault Aviation, Invesco Ltd (United States)<br>**Member of the Supervisory Board :** Yam Invest NV (Netherlands)<br>**Member:** Commission Économique de la Nation, Board of Directors of Association de Genève, Board of Directors of the Association Le Siècle, Global Reinsurance Forum-Reinsurance Advisory Board, Laboratoire d'Excellence Finance et Croissance Durable (LabexFCD), Global Counsellor of the Conference Board |

*(1) At 31 December 2017.*
*(*) Listed company.*

**Jean-François LEPETIT (until 23 May 2017)**
**Principal function: Director of companies**

Date of birth: 21 June 1942
*Nationality:* French
*Term start and end dates:* 14 May 2014 – 2017 AGM
*Date first elected to the Board:* 5 May 2004

*Number of BNP Paribas shares held*[(1)]: 9,167
*Office address:* 8 bis, rue Saint James
92200 NEUILLY-SUR-SEINE,
FRANCE

**Education**
Graduate of the École des Hautes Études Commerciales
Law Degree

**Offices[(1)] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**
BNP Paribas[(*)], Director
**Offices[(1)] held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**
Shan SA, Director
**Participation[(1)] in specialised committees of French or foreign companies:**
BNP Paribas, Chairman of the Internal Control, Risk Management and Compliance Committee and member of the Remuneration Committee
**Other[(1)]:**
Qatar Financial Center Regulatory Authority (QFCRA), Doha (Qatar), member of the Board

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| **Director:** BNP Paribas, Shan SA<br>**Member:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar) | **Director:** BNP Paribas, Shan SA<br>**Member:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar) | **Director:** BNP Paribas, Shan SA, Smart Trade Technologies SA<br>**Member:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar) | **Director:** BNP Paribas, Smart Trade Technologies SA, Shan SA<br>**Member:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar), Conseil de la régulation financière et du risque systémique (Corefris) |

*(1) At 23 May 2017.*

**Nicole MISSON**
**Principal function: Customer Advisor**

Date of birth: 21 May 1950
*Nationality:* French
*Term start and end dates:* elected by BNP Paribas executives employees for three years from 16 February 2015 - 15 February 2018
*Date first elected to the Board:* 1 July 2011

*Number of BNP Paribas shares held*[(1)]: 1937[(2)]
*Office address:* 32, rue de Clignancourt
75018 PARIS,
FRANCE

**Offices[(1)] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**
BNP Paribas[(*)], Director
**Participation[(1)] in specialised committees of French or foreign companies:**
BNP Paribas[(*)], member of the Internal Control, Risk and Compliance Committee and of the Remuneration Committee
**Other[(1)]:**
Judge at the Paris Employment Tribunal, Management section
Commission Paritaire de la Banque (Association Française des Banques – Recourse Commission), member

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| Judge at the Paris Employment Tribunal, Management section,<br>**Director:** BNP Paribas<br>**Member:** Commission Paritaire de la Banque (Association Française des Banques – Recourse Commission) | Judge at the Paris Employment Tribunal, Management section,<br>**Director:** BNP Paribas<br>**Member:** Commission Paritaire de la Banque (Association Française des Banques – Recourse Commission) | Judge at the Paris Employment Tribunal, Management section,<br>**Director:** BNP Paribas<br>**Member:** Commission Paritaire de la Banque (Association Française des Banques – Recourse Commission) | Judge at the Paris Employment Tribunal, Management section,<br>**Director:** BNP Paribas<br>**Member:** Commission Paritaire de la Banque (Association Française des Banques – Recourse Commission) |

*(1) At 31 December 2017.*
*(2) Includes 1,763 BNP Paribas shares held under the Company Savings Plan.*
*(*) Listed company.*

**Laurence PARISOT**
**Principal function: Chief Development Officer of Gradiva**

| | |
|---|---|
| Date of birth: 31 August 1959<br>*Nationality:* French<br>*Term start and end dates:* 13 May 2015 – 2018 AGM<br>*Date first elected to the Board:* 23 May 2006<br><br>*Number of BNP Paribas shares held*(1): 1,255<br>*Office address:* Immeuble Millénaire 2<br>35, rue de la Gare<br>75019 PARIS,<br>FRANCE<br><br>**Education**<br>Graduate of the Institut d'Études Politiques de Paris<br>Master's in Public Law, Université de Nancy II<br>Master of Advanced Studies, Institut d'Études Politiques de Paris | **Offices(1) held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**<br>BNP Paribas(*), Director<br>**Offices(1) held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**<br>EDF(*), Director<br>Foxintelligence (SAS), Director<br>Fives Group, member of the Supervisory Board<br>**Participation(1) in specialised committees of French or foreign companies:**<br>BNP Paribas, Chairman of the Governance, Ethics, Nominations and CSR Committee, member of the Internal Control, Risk and Compliance Committee<br>EDF, member of the Audit Committee and the Strategy Committee<br>**Other(1):**<br>Scientific and Assessment Board of Fondapol, Chairman<br>Fondation Nationale des Sciences Politiques, Director, member of the Audit Committee<br>Université franco-allemande, Director<br>European Council for Foreign Relations, member<br>Mouvement des Entreprises de France (Medef), Honorary Chairman<br>Fondation Brigitte Bardot, Director |

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| **Director:** BNP Paribas, EDF<br>**Honorary Chairman:** Mouvement des Entreprises de France (Medef)<br>**Chairman:** Scientific and Assessment Board of Fondapol<br>**Member :** European Council for Foreign Relations, Board of Directors of Fondation Nationale des Sciences Politiques, Board of Directors of Université franco-allemande | **Director:** BNP Paribas, EDF<br>**Vice-Chairman of the Management Board:** Ifop SA<br>**Honorary Chairman:** Mouvement des Entreprises de France (Medef)<br>**Chairman:** Scientific and Assessment Board of Fondapol<br>**Member:** European Council for Foreign Relations | **Director:** BNP Paribas, Fives<br>**Vice-Chairman of the Management Board:** Ifop SA<br>**Honorary Chairman:** Mouvement des Entreprises de France (Medef)<br>**Chairman:** Scientific and Assessment Board of Fondapol<br>**Member:** Supervisory Board of Compagnie Générale des Établissements Michelin (SCA), Conseil Économique, Social et Environnemental (CESE), European Council for Foreign Relations | **Director:** BNP Paribas, Coface SA, Fives<br>**Vice-Chairman of the Management Board:** Ifop SA<br>**Honorary Chairman:** Mouvement des Entreprises de France (Medef)<br>**Member:** Supervisory Board of Compagnie Générale des Établissements Michelin (SCA) |

*(1) At 31 December 2017.*
*(*) Listed company.*

**Daniela SCHWARZER**
**Principal function: Director of think tank, DGAP (Deutsche Gesellschaft für Auswärtige Politik) (German Council on Foreign Relations)**

| | |
|---|---|
| Date of birth: 19 July 1973<br>*Nationality:* German<br>*Term start and end dates:* 23 May 2017 – 2020 AGM<br>*Date first elected to the Board:* 14 May 2014<br><br>*Number of BNP Paribas shares held*[1]*:* 1,000<br>*Office address:* Rauchstrasse 17-18<br>10787 BERLIN,<br>GERMANY<br><br>**Education**<br>Doctorate in Economics from the Free University of Berlin<br>Master's degree in Political Science and in Linguistics from the University of Tübingen | **Offices**[1] **held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**<br>BNP Paribas[*], Director<br>**Participation**[1] **in specialised committees of French or foreign companies:**<br>BNP Paribas[*], member of the Governance, Ethics, Nominations and CSR Committee<br>**Others:**<br>Association Notre Europe – Jacques-Delors Institute, member of the Board of Directors<br>Foundation United Europe (Germany), member of the Board of Directors<br>Research Professor at Johns-Hopkins University, Department of European and Eurasian Studies (Bologna and Washington, DC) |

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | |
|---|---|---|---|
| **Director:** BNP Paribas<br>**Member:** Board of Directors de l'Association Notre Europe – Jacques Delors Institute, Board of Directors of United Europe (Germany) | **Director:** BNP Paribas<br>**Member:** Board of Directors de l'Association Notre Europe – Jacques Delors Institute, Board of Directors of Foundation United Europe (Germany) | **Director:** BNP Paribas<br>**Member:** Board of Directors de l'Association Notre Europe – Jacques Delors Institute, Board of Directors of United Europe (Germany) | |

*(1) At 31 December 2017.*
*(*) Listed company.*

**Michel TILMANT**
**Principal function: Director of companies**

Date of birth: 21 July 1952
*Nationality:* Belgian
*Term start and end dates:* 26 May 2016 – 2019 AGM
*Date first elected to the Board:* 12 May 2010
(Michel Tilmant served as non-voting Director of BNP Paribas from 4 November 2009 to 11 May 2010)

*Number of BNP Paribas shares held*[(1)]*:* 1,000
*Office address:* Rue du Moulin 10
B-1310 LA HULPE,
BELGIUM

**Education**
Graduate of the University of Louvain

**Offices[(1)] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**
BNP Paribas[(*)], Director
**Offices[(1)] held under the principal function:**
Strafin sprl (Belgium), manager
**Other offices[(1)] held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**
Sofina SA[(*)] (Belgium), Director
Foyer Group :
CapitalatWork Foyer Group SA (Luxembourg), Chairman
Foyer SA (Luxembourg), Director
Foyer Finance SA, Director
Groupe Lhoist SA (Belgium), Director
**Participation[(1)] in specialised committees of French or foreign companies:**
BNP Paribas, Chairman of the Internal Control, Risk and Compliance Committee
Sofina, member of the Nominations and Remuneration Committee
Groupe Lhoist SA, member of the Audit Committee
**Other[(1)]:**
Cinven Ltd (United Kingdom), senior advisor
Royal Automobile Club of Belgium (Belgium), Director
Université Catholique de Louvain (Belgium), Director

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| **Director:** BNP Paribas, CapitalatWork, Foyer Group SA (Luxembourg), Foyer SA (Luxembourg), Lhoist Group SA (Belgium), Sofina SA (Belgium)<br>**Manager:** Strafin sprl (Belgium)<br>**Member:** Board of Directors of the Royal Automobile Club of Belgium (Belgium), Board of Directors of Université Catholique de Louvain (Belgium)<br>**Senior advisor:** Cinven Ltd (United Kingdom) | **Director:** BNP Paribas, CapitalatWork, Foyer Group SA (Luxembourg), Foyer SA (Luxembourg), Lhoist Group SA (Belgium), Sofina SA (Belgium)<br>**Manager:** Strafin sprl (Belgium)<br>**Member:** Board of Directors of the Royal Automobile Club of Belgium (Belgium), Board of Directors of Université Catholique de Louvain (Belgium)<br>**Senior advisor:** Cinven Ltd (United Kingdom) | **Director:** BNP Paribas, CapitalatWork, Foyer Group SA (Luxembourg), Foyer Assurances SA (Luxembourg), Lhoist Group SA (Belgium), Ark Life Ltd (Ireland), Guardian Acquisitions Limited (United Kingdom), Guardian Assurance Limited (United Kingdom), Guardian Financial Services Holdings Limited (United Kingdom), Guardian Holdings Limited (Jersey), NBGB SA (Belgium), Sofina SA (Belgium)<br>**Manager:** Strafin sprl (Belgium)<br>**Member:** Board of Directors of the Royal Automobile Club of Belgium (Belgium), Board of Directors of Université Catholique de Louvain (Belgium)<br>**Senior advisor:** Cinven Ltd (United Kingdom) | **Director:** BNP Paribas, CapitalatWork Foyer Group SA (Luxembourg), Foyer Assurances SA (Luxembourg), Lhoist Group SA (Belgium), Guardian Financial Services Holdings Limited (United Kingdom), Guardian Assurance Limited (United Kingdom), Guardian Holdings Limited (Jersey), Guardian Acquisitions Limited (United Kingdom), NBGB SA (Belgium), Sofina SA (Belgium)<br>**Member:** Board of Directors of the Royal Automobile Club of Belgium (Belgium), Board of Directors of Université Catholique de Louvain (Belgium)<br>**Senior advisor:** Cinven Ltd (United Kingdom) |

*(1) At 31 December 2017.*
*(*) Listed company.*

**Sandrine VERRIER**
**Principal function: Production and sales support assistant**

| | |
|---|---|
| Date of birth: 9 April 1979<br>*Nationality:* French<br>*Term start and end dates:* elected by BNP Paribas technician employees for three from 16 February 2015 - 15 February 2018<br>*Date first elected to the Board:* 16 February 2015<br><br>*Number of BNP Paribas shares held*[(1)]*:* 10<br>*Office address:* 22, rue de Clignancourt<br>75018 PARIS,<br>FRANCE | **Offices[(1)] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**<br>BNP Paribas[(*)], Director<br>**Participation[(1)] in specialised committees of French or foreign companies:**<br>BNP Paribas, member of the Financial Statements Committee |
| **2016:**<br>**Director:** BNP Paribas | **2015:**<br>**Director:** BNP Paribas |

*(1) At 31 December 2017.*
*(*) Listed company.*

**Fields WICKER-MIURIN**
**Principal function: Co-founder and Partner at Leaders'Quest (United Kingdom)**

| | |
|---|---|
| Date of birth: 30 July 1958<br>*Nationalities:* British and American<br>*Term start and end dates:* 23 May 2017 – 2020 AGM<br>*Date first elected to the Board:* 11 May 2011<br><br>*Number of BNP Paribas shares held*[(1)]: 1,000<br>*Office address:* 11-13 Worple Way<br>RICHMOND-UPON-THAMES,<br>SURREY TW10 6DG,<br>UNITED KINGDOM<br><br>**Education**<br>Graduate of the Institut d'Études Politiques de Paris<br>Master's Degree from the School of Advanced International Studies, Johns Hopkins University<br>BA, University of Virginia | **Offices[(1)] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad:**<br>BNP Paribas[(*)], Director<br>**Offices[(1)] held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad:**<br>Control Risks Group, Director<br>SCOR SE[(*)], Director<br>**Participation[(1)] in specialised committees of French or foreign companies:**<br>BNP Paribas, member of the Financial Statements Committee and of the Remuneration Committee<br>Control Risks Group, member of the Audit Committee and the Nominations and Remuneration Committee<br>SCOR SE, member of the Strategic Committee, Risk Committee, Nominations and Remuneration Committee and Audit Committee, and Chairman of the CSR Committee<br>**Other[(1)]:**<br>UK Department of Digital Culture, Media and Sports, independent member of the Ministry Council, and Chairman of the Audit and Risk Committee |

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| **Director:** BNP Paribas, Control Risks Group, SCOR SE<br>**Independent member and Chairman of the Audit and Risk Committee:** UK Department of Culture, Media and Sports | **Director:** BNP Paribas, Bilt Paper BV (Netherlands), SCOR SE<br>**Member:** the Board of the Batten School of Leadership – University of Virginia (United States) | **Director:** BNP Paribas, Bilt Paper BV (Netherlands), SCOR SE, Ministry of Justice of Her Majesty's Government (United Kingdom)<br>**Member:** the Board of the Batten School of Leadership – University of Virginia (United States) | **Director:** BNP Paribas, CDC Group Plc, Ballarpur Industries Ltd (BILT), SCOR SE, Ministry of Justice of Her Majesty's Government (United Kingdom)<br>**Member:** the Board of the Batten School of Leadership – University of Virginia (United States)<br>(United States of America) |

*(1) At 31 December 2017.*
*(*) Listed company.*

## SCHEDULE OF THE TERMS OF DIRECTORSHIP OF COMPANY DIRECTORS

On the Board's proposal, the Shareholders' Annual General Meeting of 23 May 2000 decided to limit the term of office of new Directors to three years.

| Directors | 2018 (AGM called to approve the 2017 financial statements) | 2019 (AGM called to approve the 2018 financial statements) | 2020 (AGM called to approve the 2019 financial statements) |
|---|---|---|---|
| J. Lemierre | | | ✓ |
| J-L. Bonnafé | | ✓ | |
| J. Aschenbroich | | | ✓ |
| P.A. de Chalendar | ✓ | | |
| M. Cohen | | | ✓ |
| W. De Ploey | | ✓ | |
| M. Guillou | | ✓ | |
| D. Kessler | ✓ | | |
| N. Misson | ✓(i) | | |
| L. Parisot | ✓ | | |
| D. Schwarzer | | | ✓ |
| M. Tilmant | | ✓ | |
| S. Verrier | ✓(ii) | | |
| F. Wicker-Miurin | | | ✓ |

(i) *Director elected by executive employees – Term of office start and end dates: 16 February 2015 – 15 February 2018. Election of Hugues Epaillard as Director elected by executive employees in the first round of voting on 21 November 2017 (took office on 15 February 2018).*

(ii) *Director elected by technician employees, start and end of term of previous term of office: 16 February 2015 – 15 February 2018. Re-elected by technician employees in the second round of voting on 12 December 2017.*

2

## OTHER CORPORATE OFFICER

**Philippe BORDENAVE**
**Principal function: Chief Operating Officer of BNP Paribas**

Date of birth: 2 August 1954
*Nationality:* French
*Number of BNP Paribas shares held*[1]: 51,674
*Office address:* 3, rue d'Antin
75002 PARIS,
FRANCE

**Education**
Graduate of the École Polytechnique
Graduate of the École Nationale d'Administration
DEA in Economics

**Offices[1] held under the principal function**
BNP Paribas[*], Chief Operating Officer
Exane BNP Paribas, non-voting Director
Verner Investissements, Director

**Functions at previous year-ends**
*(the companies listed are the parent companies of the groups in which the functions were carried out)*

| 2016: | 2015: | 2014: | 2013: |
|---|---|---|---|
| **Chief Operating Officer:** BNP Paribas<br>**Director:** Verner Investissements<br>**Non-voting Director:** Exane BNP Paribas | **Chief Operating Officer:** BNP Paribas<br>**Director:** Verner Investissements<br>**Non-voting Director:** Exane BNP Paribas | **Chief Operating Officer:** BNP Paribas<br>**Director:** BNP Paribas Personal Finance<br>**Permanent representative:** Antin Participation 5 (SAS), BNP Paribas Securities Services (SCA)<br>**Non-voting Director:** Exane BNP Paribas | **Chief Operating Officer:** BNP Paribas<br>**Director:** BNP Paribas Personal Finance<br>**Permanent representative:** Antin Participation 5 (SAS), BNP Paribas Securities Services (SCA) |

*(1) At 31 December 2017.*
*(*) Listed company.*

## 2.1.2 CORPORATE GOVERNANCE AT BNP PARIBAS

The Corporate Governance Code referred to by BNP Paribas on a voluntary basis in this report is the Corporate Governance Code for Listed Companies (revised in November 2016) published by the French employers' organisation *Association Française des Entreprises Privées (Afep)* and *Mouvement des Entreprises de France (Medef)*. BNP Paribas applies the recommendations of this Code, hereinafter referred to as the Corporate Governance Code or Afep-Medef Code, which can be viewed on the BNP Paribas website (http://invest.bnpparibas.com), the Afep website (http://www.afep.com) and the Medef website (http://www.Medef.com).

The special guidelines on the participation of shareholders at the Shareholders' Annual General Meeting are laid out in article 18, Title V Shareholders' Meetings of BNP Paribas' Articles of association published in the Registration document and the annual financial report, in the section Founding Documents and Articles of association. Moreover, a summary of these guidelines and a report on the organisation and proceedings of the Shareholders' Annual General Meeting of 23 May 2017 are provided in the BNP Paribas and its shareholders section of said document.

BNP Paribas is governed in accordance with French and European banking regulations, and the guidelines issued by the EBA (European Banking Authority). It is also subject to permanent supervision by the European Central Bank's Single Supervisory Mechanism (SSM).

### 1. PRINCIPLES OF GOVERNANCE

The Internal rules adopted by the Board define the duties of the Board and of its specialised committees. They are updated periodically to comply with current laws, regulations and market guidelines, and to keep pace with best practice in the area of corporate governance.

Following an in-depth review in 2015 to allow for the measures introduced in Directive 2013/36/EU of the Europea Parliament, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (hereinafter "CRD 4"), the Internal rules were amended further and a new version approved by the Board at its meeting of 27 October 2016. The rationale for the amendments include (i) the introduction of three procedures applicable to Directors, requested by the ECB (the first concerning holding multiple corporate offices, the second, potential conflicts of interest and the last, the identification, selection and succession of Directors), (ii) the reform of the statutory audit, which required changing the conditions for the performance of the Financial Statements Committee's duties, (iii) broadening the remit of the CGEN, which was renamed the Corporate Governance, Ethics, Nominations and CSR Committee, and (iv) the role of the Board of Directors in preparing and implementing the Group's code of conduct.

With respect to these last two points, following an evaluation by the Board in respect of 2015 the CGEN's remit was extended to include CSR and ethics. Accordingly, this Committee worked actively with Executive Management to prepare the Code of conduct, which was reviewed and approved by the Board of Directors on 31 March 2016.

**Code of conduct (article 1.2 of the Internal rules)**

The Board of Directors and Executive Management of BNP Paribas share the conviction that the success of the bank depends directly on the behaviour of each employee. "[The code of conduct] sets out the rules to uphold our values and perform the Bank's missions. This Code, which shall be integrated by each business line and each employee, governs the actions of each employee and guides the decisions at every level of the organisation. For this purpose, the Board ensures the Executive Management implements this Code into business lines, countries and regions".

Note that the Internal rules reiterate and emphasise the collegial nature of the Board of Directors, which jointly represents all shareholders and must act in the Company's best interest at all times. It details the Board responsibilities (article 1).

In addition, the Board of Directors is backed by four specialised committees (the Financial Statements Committee, the Internal Control, Risk Management and Compliance Committee, Governance, Ethics, Nominations and CSR Committee, the Remuneration Committee) as well as any *ad hoc* committees. The Internal rules detail each committee's missions, in line with the provisions of CRD 4. They also provide for joint meetings between the Financial Statements Committee and the Internal Control, Risk Management and Compliance Committee whenever required.

No member of the Executive Management and no Chairman of the Board of Directors has sat on any Committee since 1997.

As far as the Board is aware, no agreement has been entered into directly, or through an intermediary, between on the one hand, one of the corporate officers (BNP Paribas' corporate officers) and, on the other, another company in which BNP Paribas owns, directly or indirectly, over half the share capital (article L.225-37-4 paragraph two of the French Commercial Code), without prejudice to any agreements relating to current operations concluded under normal conditions.

The Internal Rules and the procedures mentioned above have been adopted by the Board of Directors and appear in this report.

**The Board of Directors (at 31 December 2017)**
Chairman: Jean Lemierre

**Missions and controls in the following areas:**

- Guidelines and strategic operations
- Governance, Internal Control and accounts
- Supervision of risk management
- Financial communication
- Remuneration
- Preventive recovery plan
- Monitoring application of the Code of conduct

**Financial Statements Committee** (CdC)

**Members**

Denis Kessler (c)
Jacques Aschenbroich (i)[a]
Wouter De Ploey (i)
Sandrine Verrier (ii)
Fields Wicker-Miurin (i)

**Missions**

- Monitoring the preparation of the financial information
- Monitoring the efficiency of the Internal Control systems and risk management systems regarding accounting and financial requirements
- Monitoring the Statutory Auditors' audits of the annual and consolidated financial statements as well as their independence

**Internal Control, Risk Management and Compliance Committee** (CCIRC)

**Members**

Michel Tilmant (c) (i)
Monique Cohen (i)
Marion Guillou (i)
Nicole Misson (ii)
Laurence Parisot (i)

**Missions**

- Reviewing the global strategy concerning risks
- Monitoring the remuneration and principles in relation to risks
- Reviewing issues relating to Internal Control and compliance
- Reviewing the prices of products and services in relation to the risk strategy

**Corporate Governance, Ethics, Nominations and CSR Committee** (CGEN)

**Members**

Laurence Parisot (c) (i)
Pierre André de Chalendar (i)
Marion Guillou (i)
Daniela Schwarzer (i)

**Missions**

- Selecting the Directors' committee members
- Assessment of the Board of Directors
- Selection and evaluation of executive corporate officers
- Appraising the independence of the Directors
- Maintaining the general balance of the Board of directors
- Regular monitoring of updates to the Code of conduct
- Monitoring CSR issues (Group's contribution to economic and sustainable development)

**Remuneration Committee** (CR)

**Members**

Pierre André de Chalendar (c) (i)
Monique Cohen (i)
Nicole Misson (ii)
Fields Wicker-Miurin (i)

**Missions**

- Annual review of the principles that underpin the Group's remuneration policy
- Annual review of the remuneration, allowances and benefits in kind granted to the corporate officers of the Company and of the Group's major French subsidiaries
- Annual review of the remuneration of the Group's regulated staff categories
- Control of the remuneration of the Head of the Risk Management Function and Head of Compliance

**Joint meetings of the CdC and the CCIRC**
Chairman: Denis Kessler

**Missions**

- Examining the mission plan of the General Inspection and the audit plan of the Statutory Auditors and preparing the work of the Board on the assessment of the risk policies and risk management measures
- Dealing with the common issues relating to the risk policies and their financial impacts

(c) Chairman
(i) Independent Director according to the provisions of the Afep-Medef Code
(ii) Director elected by employees
(a) At 1st January 2018

Each Committee is composed of members with expertise in the relevant areas. Thus,

- most of the members of the Financial Statements Committee have qualifications and experience in the Company's financial management, accounting and financial information. In consideration of his financial skills, reinforced by his position as Chief Executive Officer of SCOR, a major international reinsurance company, Mr Denis Kessler was appointed Chairman of the committee;
- most of the members of the Internal Control, Risk Management and Compliance Committee have specific expertise in financial matters and risk management, either through their training or experience. Its Chairman has international experience in banking management. Another of its members has been a member of the Board of the Autorité des Marchés Financier (AMF);

- the members of the Corporate Governance, Ethics, Nominations and CSR Committee are independent Directors who have expertise in corporate governance and in putting together management teams in international companies. Some deal with CSR issues professionally;
- the Remuneration Committee's composition complies with the French Monetary and Financial Code and with the recommendations of the Corporate Governance Code: its members have experience of the remuneration systems and market practices in this area, and include a Director representing employees. Two members of the Remuneration Committee are also members of the Internal Control, Risk Management and Compliance Committee (Monique Cohen since 15 June 2017 and Nicole Misson). This composition is intended to facilitate the Board's work on the appropriateness of BNP Paribas' remuneration principles and risk policy.

The Chairman is not a member of any committee, but may attend committee meetings and may add subjects he considers relevant to their agenda.

The ECB did not issue any objections as regards the composition of the Board of Directors or its specialised committees.

## 1.a Dissociation of the functions of Chairman and Chief Executive Officer

As of 11 June 2003, BNP Paribas has dissociated the offices of Chairman of the Board and Chief Executive Officer. This decision complies with the obligations imposed on credit institutions since 2014 by French law transposing CRD 4.

### The duties of the Chairman

They are described in article 3.1 of the Internal rules.

The Chairman is responsible for ensuring that the quality of the relationship with shareholders is maintained, coordinating closely with any steps taken by Executive Management in this area. In this connection, the Chairman chairs the Shareholder Liaison Committee, whose task is to assist the Bank in its communications with individual shareholders; several times a year, he invites the shareholders to meetings where the Company's strategy is explained.

The Chairman is careful to maintain a close and trusting relationship with Executive Management and provides the team with assistance and advice while respecting its executive responsibilities. The Chairman organises his activities so as to ensure his availability and put his experience to the Group's service. His duties are contributory in nature and do not confer any executive power on him. They do not in any way restrict the powers of the Chief Executive Officer, who has sole operational responsibility for the Group.

Coordinating closely with Executive Management, the Chairman can represent the Group in its high-level relationships, particularly with major clients, public authorities and institutions, at national, European and international levels. He plays an active part in discussions concerning regulatory developments and public policies affecting BNP Paribas, and, more generally, the financial services sector.

The Chairman contributes to promoting the values and image of BNP Paribas, both within the Group and externally. He expresses his views on the principles of action governing BNP Paribas, in particular in the field of professional ethics. He contributes to enhancing the Group's image through the responsibilities he exercises personally in national or international public bodies.

At the request of the Chief Executive Officer, he can take part in any internal meeting on subjects relating to strategy, organisation, investment or disinvestment projects, risks and financial information. He expresses his opinions without prejudice to the remit of the Board of Directors; he provides support to the teams responsible for covering major companies and international financial institutions; he also contributes to the development of BNP Paribas' advisory activities, particularly by assisting in the completion of major corporate finance transactions.

He ensures that principles of corporate governance are defined and implemented.

The Chairman is the custodian of the proper functioning of the Board of Directors of BNP Paribas. As such:

- with the support of the Corporate Governance, Ethics, Nominations and CSR Committee, with the approval of the Board of Directors and of the Shareholders' Annual General Meeting, where appropriate, he endeavours to build an efficient and balanced Board, and to manage replacement and succession plan processes related to the Board of Directors and nominations which it will have to opine;
- on the basis of the dissociation of the functions of Chairman and Chief Executive Officer, his role is to ensure Directors' independence and freedom of speech;
- he ensures that the Directors have the documentation and information necessary to carry out their duties in a timely manner and in a clear and appropriate form.

### The powers of the Chief Executive Officer

The Chief Executive Officer has the broadest powers to act in all circumstances on behalf of BNP Paribas, and to represent the Bank in its relation with third parties. He is responsible for the organisation of internal control procedures and for all the information required by regulations in that regard.

He exercises his powers within the limitations of the corporate object, and subject to any powers expressly attributed by law to the Shareholders' Annual General Meeting and Board of Directors.

The Internal Rules of the Board of Directors provide that the Chief Executive Officer shall request its prior approval for all investment or disinvestment decisions (other than portfolio transactions) in excess of EUR 250 million, and for any proposal to acquire or dispose of shareholdings in excess of that threshold (other than portfolio transactions) (article 1.1). The Chief Executive Officer must also ask the Board's Financial Statements Committee for prior approval of any non-audit related assignment involving fees in an amount of over EUR 1 million (excluding taxes) (article 7.1.3).

## 1.b Membership of the Board – Directors' independence

### Membership of the Board of Directors: a collegial body with collective competence

On the proposal of the Board of Directors, the Shareholders' Annual General Meeting of 23 May 2017 reappointed Jean Lemierre, Monique Cohen, Daniela Schwarzer, Fields Wicker-Miurin for a three-year term, and appointed Jacques Aschenbroich to replace Jean-François Lepetit, who has not sought to renew his term of directorship, which expired at the close of the Annual General Meeting.

At the end of the Annual General Meeting of 23 May 2017 and as of 31 December 2017,

| Number of Board members | O/w elected Board members | Nationalities | Percentage of women | Independence |
|---|---|---|---|---|
| 14 | 2 | 4 | 41.6% | >50% |

### Independence of Directors (as of 31 December 2017)

The following table shows the position of each Director with regard to the independence criteria contained in the Corporate Governance Code to define an independent Director:

| Criteria | Jean LEMIERRE | Jean-Laurent BONNAFÉ | Jacques ASCHENBROICH | Pierre André DE CHALENDAR | Monique COHEN | Marion GUILLOU | Denis KESSLER | Nicole MISSON | Laurence PARISOT | Daniela SCHWARZER | Michel TILMANT | Wouter DE PLOEY | Sandrine VERRIER | Fields WICKER-MIURIN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Employee or corporate officer of the Company within the previous five years | o | o | ✓ | ✓ | ✓ | ✓ | ✓ | o | ✓ | ✓ | ✓ | ✓ | o | ✓ |
| 2 Whether or not corporate offices are held in another company | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3 Whether or not significant business relationships exist | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4 Whether or not there are close family ties to a corporate officer | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5 Not an auditor of the Company within the previous five years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6 Not a Director of the Company for more than 12 years | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | o(*) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 7 Major shareholder status | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

*"✓" represents compliance with an independence criterion defined in the Afep-Medef Code.*
*"o" represents non-compliance with an independence criterion defined in the Afep-Medef Code.*
*(*) See explanation below.*

- The following Directors meet the independence criteria contained in the Corporate Governance Code and reviewed by the Board of Directors: Monique Cohen, Marion Guillou, Laurence Parisot, Daniela Schwarzer, Fields Wicker-Miurin, Jacques Aschenbroich, Pierre André de Chalendar, Wouter De Ploey and Michel Tilmant.

  In particular, for Monique Cohen, Jacques Aschenbroich, Pierre André de Chalendar and Denis Kessler, the Board of Directors confirmed that the business relations between BNP Paribas and respectively (i) Apax Partners, as well as the companies in which Apax Partners holds interests, (ii) Valeo and its group (iii) Saint-Gobain and its group, and (iv) the SCOR SE group are not significant (the revenue generated by each of these business relations accounted for less than 0.5% of the total revenue reported by BNP Paribas).
- Finally, during the period of more than 12 years that Denis Kessler has sat on the Board, he has served under three successive Chief Executive Officers each having managed the Bank in accordance with his own personality and his own methods and practices. The current Chief Executive Officer has only been in office for six years. The Board of directors deems that Denis Kessler's critical faculties are renewed with each effective change of management, thereby guaranteeing his independence. The Board also took into consideration Denis Kessler's financial expertise, a critical factor in understanding banking mechanisms (Doctorate in economics and HEC graduate), reinforced by his position as the Chairman and Chief Executive Officer of one of world's major reinsurance companies.

- The two employee representatives on the Board, Nicole Misson and Sandrine Verrier, do not qualify as independent Directors pursuant to the criteria contained in the Corporate Governance Code, despite their status and the method by which they were elected, which nevertheless guarantee their independence.
- Two Directors appointed by the shareholders – the Chairman of the Board of Directors Jean Lemierre, and the Chief Executive Officer Jean-Laurent Bonnafé – do not fulfil the independence criteria laid down by the Corporate Governance Code.

Over half of the Directors of BNP Paribas are therefore independent in terms of the criteria for independence contained in the Corporate Governance Code and the Board of Directors' assessment.

### Directors' knowledge, skills and experience

When the Corporate Governance, Ethics, Nominations and CSR Committee (CGEN) reviews the skills and experience of persons that could become Directors, it is careful to maintain the diversity of the Board of Directors in light of changes to the Bank's strategy. Thus, the Board brings together expertise in banking and finance, risk management, international digital transformation and CSR, as well as experience in Executive Management of large corporate groups.

These candidates are identified and recommended by the committee on the basis of criteria that combine personal and institutional qualities, according to the procedures in the Internal rules (article 4.2.1) and by the Board of Directors' procedure regarding identification, selection and succession of Directors (article 1.3), which ensures their spirit of independence:

- competence, based on experience and the ability to understand the issues and risks, enabling the Directors to make informed and effective decisions;
- courage, in particular to express opinions and make judgements, enabling the Directors to remain objective;
- availability and assiduity, which allow for the necessary detachment and promote the Directors' commitment and sense of responsibility regarding the exercise of their office;
- loyalty, which fosters Directors' commitment to the Company and to their duties within the Board, which collectively represents the shareholders;
- directors' proper understanding of the Company's culture and ethics.

## 1.c Directors' Ethical Conduct

- As far as the Board is aware, there are no conflicts of interests between BNP Paribas and any of the Directors. The Board of Directors' procedure in relation to conflicts of interest requires them to report any situation likely to constitute a conflict of interest to the Chairman and the Board of Directors who may then ask the Director in question to refrain from taking part in voting on the relevant issues.
- As far as the Board is aware, none of the Board members has been found guilty of fraud or been associated, as member of an administrative, management or supervisory body, or as Chief Executive Officer, with any insolvency, receivership or liquidation proceedings during at least the last five years.
- As far as the Board is aware, no member of the Board of Directors is subject to any official public accusation and/or penalty. No Director has been prohibited from acting in an official capacity during at least the last five years.
- There are no arrangements or agreements with key shareholders, customers, suppliers or other persons that involve the selection of any member of the Board of Directors.
- The Directors must carry out their duties in a responsible manner, particularly as regards the regulations relating to insider dealing. They are notably required to comply with legal requirements relating to being in possession of insider information. Under the terms of the Internal rules, they must also refrain from carrying out any transactions in BNP Paribas shares that could be regarded as speculative (article 4.3.1 of the Internal rules). They are informed of the periods during which they may, save in special circumstances, carry out any transactions in relation to BNP Paribas shares (article 4.3.1 of the Internal rules).

## 1.d Directors' training and information

- Pursuant to the Internal rules, every Director can ask the Chairman or the Chief Executive Officer to provide them with all the documents and information required to enable them to carry out their duties, to participate effectively in the meetings of the Board of Directors and to make informed decisions, provided that such documents are necessary to the decisions to be taken and connected with the Board's powers (article 3.4.1 of the Internal rules).
- The Directors have unrestricted and continuous access to the minutes of meetings of the Board's specialised committees in a digital system reserved for Directors. This system also provides Directors with a range of useful information in a secure and timely manner to facilitate them in their work. Since 2017, it has been possible to use this system to deliver e-learning training modules to Directors.
- Committee meetings provide an opportunity to update the Directors on the topical issues on the agenda. In addition, the Board is kept informed of changes in the banking regulations and reference texts concerning governance. Training may also be provided on such occasions.
- As provided in the Volcker Rule in the United States and the law on the separation and regulation of banking activities in France, Board members receive training on the two regulations every year (May 2017).
- Over three days of training (February, May and September 2017), Directors received information about (i) cyber security, (ii) the Bank's compliance controls in relation to economic sanctions, (iii) the directive on the financial instruments markets (MiFID II), and (iv) model risk. It was also the opportunity for Directors to meet with the relevant managers in the Group.

- Pursuant to the provisions of the French Commercial Code on the training of Directors elected by employees and the time allotted to them for the preparation of the meetings of the Board of Directors and its committees, the Board determined that the content of the training programme would include the bank's activities and organisation and applicable regulations.
- In 2017, the two Directors elected by employees received a total of fourteen hours of external training on (i) Basel III and its upcoming deadlines between now and 2019 (ii) integration of the impacts of the new BCBS standard 239 and (iii) the links between CRD 4, Basel III, the CRR regulation and the BRR Directive. Moreover, like any other Directors, they receive the training provided by BNP Paribas as described below in addition to the training modules delivered by external training providers.



### 1.e Directors' attendance at Board and committee meetings in 2017

| Directors | Board of Directors | Specialised committees | Individual attendance rates |
|---|---|---|---|
| J. LEMIERRE | 100% | - | 100% |
| J-L. BONNAFÉ | 100% | - | 100% |
| J. ASCHENBROICH | 100% | - | 100% |
| P.A. de CHALENDAR | 92% | 100% | 96% |
| M. COHEN | 92% | 92% | 92% |
| W. DE PLOEY | 100% | 100% | 100% |
| M. GUILLOU | 92% | 94% | 93% |
| D. KESSLER | 92% | 100% | 96% |
| J.-F. LEPETIT | 100% | 100% | 100% |
| N. MISSON | 100% | 100% | 100% |
| L. PARISOT | 100% | 100% | 100% |
| D. SCHWARZER | 92% | 100% | 96% |
| M. TILMANT | 100% | 100% | 100% |
| S. VERRIER | 100% | 100% | 100% |
| F. WICKER-MIURIN | 100% | 100% | 100% |
| **Average** | **97%** | **99%** | |

## 2. WORKS OF THE BOARD AND COMMITTEES IN 2017

### 2.a Works of the Board in 2017

| Meetings | Including exceptional meetings | Investment stake/holding/ interest average | Strategy seminar |
|---|---|---|---|
| 13 | 3 | 97% | 1 |

The Board of Directors, which determines BNP Paribas' strategy and overall business objectives based on proposals submitted by Executive Management:

- examined and approved the objectives of the 2017-2020 Transformation and Development Plan, in view of the operating divisions' performance in 2017, the economic and interest rate environment and the impact of new taxes and regulations at national, European and international levels. The guidelines for this 2017-2020 Transformation Plan were implemented in 2017 through:
  - projects preparing for the bank of the future (Hello bank! Lyf Pay, universal mobile payment and services solution),
  - the solid results of the Plan in the various regions,
  - the good performance of growth drivers,
  - adaptation to the new capital markets environment,
  - the acquisitions of Compte-Nickel and Opel and Vauxhall's captive finance companies, in partnership with the PSA Group,
  - the strengthening of compliance and control capacities,
  - a stringent risk management policy;
- was informed of the situation regarding retail banking business in the United States (Bank of the West);
- reviewed the recommendation of the Central Works Council on the Bank's strategic guidelines and issued a response to its observations;
- monitored changes in the shareholding structure;
- discussed the Bank's performance relative to the competition and its balance sheet, based on the results available for the 2017 financial year; reviewed the regulatory ratios of the main systemically important banks;

- examined the issuance amounts of debt securities in the form of senior and subordinated debt;
- acknowledged the Executive Management's comments on the net margin generated on new lending in 2016 and in the first half of 2017;
- decided to pay additional profit-sharing for 2016;
- continued to track the amounts allocated to the various objectives of the Company's share buyback programme authorised by the Annual General Meeting;
- authorised the delegations of authority for the issuance of debt securities, particularly for bonds and similar;
- examined each of the related-party agreements entered into and authorised in previous years but still in force in the past year;
- was informed of the continuing gradual divestment in 2017, based on market conditions, of the equity interest in First Hawaiian Bank, of the divestment of a second tranche of Shinhan Financial Group share capital and of the divestment of part of the holding in SBI Life;
- approved BNP Paribas SA's merger by absorption of Hello bank! Austria and Commerz Finanz;
- approved the divestment of part of BNP Paribas' holding in Banque de Nankin;
- discussed BNP Paribas' policy concerning gender equality and equal pay;
- discussed the delegation of responsibility for Compliance to the new Head of Compliance;
- discussed the delegation of responsibility for internal control functions, on the basis of an update of the subsidiaries in question;
- examined the Bank's commitment to be carbon neutral in 2017;
- reviewed the situation regarding investigations conducted by the US authorities related to BNP Paribas' foreign exchange activity;
- was informed of areas of special interest for the Bank with regard to the Brexit negotiations;
- reviewed the work of the Ethics Committee;
- was informed of the results of the annual employee satisfaction survey (Global People Survey) and of the follow-up actions;
- reviewed and decided on the answers to written questions submitted by shareholders.

For the third time, SSM representatives from the European Central Bank (ECB) and representatives of the *Autorité de contrôle prudentiel et de résolution* (ACPR) attended a Board meeting (on 24 February 2017). They outlined their priorities for banking supervision for 2017, which was followed by an exchange of views with the members of the Board.

As in previous years, the Board of Directors met on 20 December 2017 for a strategy seminar focused, *inter alia*, on the performance of the 2017-2020 strategic plan, and the challenges for the Group's major business lines, Domestic Markets, Corporate and Institutional Banking and International Financial Services.

## 2.b Works performed by the Financial Statements Committee and work approved by the Board of Directors in 2017

| Number of members | Meetings | Attendance rate |
|---|---|---|
| 4 | 5 | 100% |

### *Examination of the financial statements and financial information*

The Financial Statements Committee:

- conducted quarterly reviews of the financial statements based on the documents and information provided by Executive Management and the work carried out by the Statutory Auditors;
- conducted quarterly analyses of the synthesis of consolidated results and annualised return on equity, as well as the results and ROE by business segment; examined the Group's consolidated balance sheet at 31 December 2016 and the changes that took place between that date and 30 June 2017; on that occasion, it was given an update on off-balance sheet commitments;
- examined the dividend distribution policy in view of the ECB recommendation concerning compliance with prudential and solvency rules;
- kept track of the changes in prudential requirements and reviewed changes in risk-weighted assets;
- examined the provisions for litigation on a regular basis;
- examined goodwill and proposed adjustments;
- conducted a detailed analysis of the composition of the Group's balance sheet;
- read the explanations relating to Credit Valuation Adjustment (CVA) adjustments;

The Board:

- examined and approved the results of the fourth quarter of 2016, full-year 2016 and the first three quarters of 2017;
- examined trends in revenues and the cost/income ratio by business for each quarter. For each of the periods, the Board heard a summary of the work of the Financial Statements Committee and the findings of the Statutory Auditors;
- heard the comments of the Financial Statements Committee on the accounting internal control report reviewed each quarter by the committee;
- reviewed and approved a draft press release at each meeting devoted to results, and approved the report of the Board of Directors in respect of 2016;
- discussed changes in equity and the capital adequacy ratio in light of the new prudential solvency regulations and new requirements imposed by the regulator.

- upon the review of the income statement, the committee heard the comments of the Group's Chief Financial Officer and senior executive in charge of accounting and financial reporting. Every quarter, it interviewed the Group's Chief Financial Officer, without the presence of the Chief Executive Officer. The committee heard the comments and findings of the Statutory Auditors concerning the results for each quarter. It met with the Statutory Auditors, without the presence of the Chairman, the Chief Executive Officer or the Group's Chief Financial Officer, and asked the questions it considered necessary;

> The Board acknowledged the report of the discussions held by the Financial Statements Committee with the Statutory Auditors and the Group's Chief Financial Officer, without the presence of General Management.

- reviewed the accounting certification mechanisms as part of the internal control procedures;
- examined the section of the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information in respect of 2016, and recommended its approval by the Board of Directors.

> The Board approved the section of the Chairman's report on the preparation and processing of accounting and financial information in respect of 2016.

### *Ad hoc* works performed by the Financial Statements Committee in 2017

#### *Examination of the financial statements and financial information*

- Each quarter, the Financial Statements Committee examined the report on audit control points flagged by Group entities in the context of certification of their financial statements. It analysed trends in the risk level observed for each of the thirty major accounting controls.
- The Financial Statements Committee then studied three meetings, one of which was devoted to the consequences for the Bank of the change from IAS 39 to IFRS 9, which came into force on 1 January 2018.

> The Board acknowledged the consequences for the Bank of the change from IAS 39 to IFRS 9.

#### *Relations with the Statutory Auditors*

- The Financial Statements Committee received a written certificate of independence from each of the Statutory Auditors.
- It was informed of the amount of fees paid to the Statutory Auditors and reviewed the summary report on assignments not directly related to the statutory audit, without the presence of the Statutory Auditors. It authorised a non-audit related assignment subject to its prior approval in accordance with the internal rules (see section 7.1.3). It authorised seven assignments falling within the remit of non-prohibited services for which the Committee's prior authorisation is required.

## 2.c Works performed by the Financial Statements Committee and the Internal Control, Risk Management and Compliance Committee in their joint meetings, and work approved by the Board of Directors in 2017

| Number of members | Meetings | Attendance rate |
|---|---|---|
| 10 | 2 | 95% |

The committees:

- reviewed the ICAAP (Internal Capital Adequacy Assessment Process) report. They examined the Bank's assessment of its risks, and made sure that it had appropriate controls and the required capital to cover those risks;
- studied the nature and organisation of the joint work of the Finance and Risk Functions, including impairments and provisions, fair value measurement of financial instruments, stress tests, ICAAP processes and the Internal Liquidity Adequacy Assessment Process (ILAAP);
- were informed of and regularly monitored the most significant risks liable to have a long-term impact on the financial statements, notably investigations and inquiries conducted with a certain number of financial institutions by the regulatory and judicial authorities in several countries in relation to transactions in foreign exchange markets, share transactions, and negotiations conducted as part of collective actions;
- examined the Statutory Auditors' audit plan;
- discussed whether the prices of the products and services proposed to customers are compatible with the risk strategy (CRD 4);
- monitored the changes in prudential requirements regarding capital and examined the results of the Supervisory Review and Evaluation Process (SREP) and their impact on the solvency ratio;
- reviewed the Global Systemically Important Bank notification system.

> The Board:
>
> - approved the Internal Capital Adequacy Assessment Process and its conclusions;
> - was regularly informed of the development of negotiations conducted within the scope of class actions, and inquiries or investigations conducted by the regulatory and judicial authorities of several countries concerning transactions on foreign exchange markets;
> - was informed about the global systemically important bank notification system;
> - acknowledged the request made by the ECB following the results of the SREP.

## 2.d Works performed by the Internal Control, Risk Management and Compliance Committee and work approved by the Board of Directors in 2017

| Number of members | Meetings | Attendance rate |
|---|---|---|
| 5 | 9 | 100% |

### Risks and liquidity

The Internal Control, Risk Management and Compliance Committee:

- continued to monitor the implementation of the new organisation of the Risk Function which is intended to improve the operational efficiency of control mechanisms and procedures, most notably, the anticipation of risks, including those linked to regulations and cyber security;
- reviewed trends in market, counterparty and credit risk. It deliberated on the basis of information presented by Risk. The Head of Risk answered the committee's questions on the various categories of risks during a meeting;
- examined the dashboard presented quarterly by the Head of Risk and proposed changes to its presentation and content;
- was informed of any risk indicator thresholds or limits that had been exceeded and, where applicable, any action plans decided by Executive Management;
- reviewed the 2016 internal control report, including the report on operational risk, permanent control and business continuity as well as the control of outsourced activities;
- reviewed the interim Operational Risk report;
- reviewed the ECB's follow-up letter on Risk Governance and Appetite, and the Bank's draft response;
- monitored the introduction of the action plan to expand the Risk Appetite Statement (RAS) with credit packages for specific sectors and businesses;
- acknowledged the follow-up letter in relation to the ECB's "Corporate Banking in Europe" mission;
- reviewed the RAS, its changes in relation to liquidity risk, banking book and operational interest rate risk and aggregate risk thresholds;
- examined and monitored the Group's liquidity risks and the liquidity policy implemented by Executive Management in view of market and regulatory changes;
- reviewed the ECB's programme, missions and risk reviews, including the Targeted Review of Internal Model (TRIM);
- examined incidents concerning payment transactions and requested the implementation of action plans;
- acknowledged the consequences for the Bank of cyber security-related incidents and the outline of the Group's cyber security strategy;
- reviewed the risks arising from the Group's exposure to clearing houses;
- examined the ILAAP report. It examined the tolerance threshold above which it can be deemed that the liquidity situation is compliant with the Bank's risk profile;
- was informed of the system for aggregating and reporting risk data, under the provisions of the independent compliance review according to the principles of BCBS 239.
- reviewed the ECB's follow-up letter on its topical review of the implementation of BCBS standard 239, as well as the Bank's response, proposing a timetable of closing dates for recommendations.

The Board:

- approved changes to the Group's RAS and aggregate risk thresholds and limits;
- examined, based on the RAS and the Committee Chairman's report, the Risk Dashboard presenting the indicators adopted for the different risk categories, as well as the risk governance, management and monitoring measures on a regular basis;
- was informed, where applicable, of any risk threshold or limit that had been exceeded, in accordance with the governance policy decided in 2016;
- was informed of the Committee's review of the ECB's follow-up letter on the risks section of Risk Governance and Appetite and the Bank's response letter;
- examined the pricing and maturity conditions of issues of debt securities, within the scope of the budgets allocated by the Board;
- based on the Committee Chairman's report, was informed of the committee's work on Group risks;
- was regularly informed of trends in the cost of risk by business line and geographical area;
- asked the committee to continue to regularly monitor cyber security issues;
- approved the level of tolerance to the liquidity risk and the policies, procedures and internal systems relating to the liquidity risk;
- confirmed that the operational risk, permanent control and business continuity components of the internal control report had been forwarded to the ACPR.

## Compliance, internal control, litigation and periodic control

The Internal Control, Risk Management and Compliance Committee:

- continued to monitor the implementation of the remediation plan initiated in 2014 on the US authorities'request, representing the translation of commitments made by BNP Paribas to control activities carried out in US dollars;
- monitored developments in the Know Your Customer (KYC) mechanism defined on the basis of a cross-functional model and in view of the implementation of revision rules;
- examined the 2016 internal control report including the Compliance Risk Assessment report, the key compliance points across all business lines and geographical areas, and the periodic control report;
- reviewed Risk Assessment in the area of measures to counter money-laundering and financing of terrorism;
- reviewed the section of the Chairman's report on internal control and submitted it for the approval of the Board;
- examined the report on the assessment and monitoring of risks in 2016, in accordance with the provisions of the Decree of 3 November 2014 on the internal control of companies operating in the banking sector, payment services and investment services subject to the control of the *Autorité de contrôle prudentiel et de résolution* (ACPR). It assessed the effectiveness of the policies and systems in place;
- analysed the Compliance Function's interim report;
- discussed the main results of periodic control in 2016 and in the first half of 2017; it reviewed the results of the second wave of audits in entities with clearing operations in dollars;
- analysed the Periodic Control Function's interim report;
- continued to monitor the periodic control transformation programme and the new methodology for preparing the audit plan on the basis of the risk assessment;
- reviewed, at each of its meetings, the list of ongoing legal disputes and proceedings, as well as the developments in each of the cases from one meeting to another. It monitored the most significant legal disputes and proceedings, in particular those linked to the case of real estate loans granted in Swiss francs to private individuals for rental investment purposes, and group investigations and actions with regard to banks' foreign exchange market practices and their resolution;
- was informed of the modification requests and additional requests made by the regulators concerning the recovery and resolution plans;
- examined the annual update to the recovery plan and resolution documents, and recommended their approval by the Board; examined changes in French and European resolution regulations; and was informed of the complexities linked to the set-up of the Total Loss-Absorbing Capacity (TLAC) and Minimum Requirement for own funds and Eligible Liabilities (MREL) mechanisms;
- monitored implementation of the Volcker Rule in the certification process and the French law on the separation and regulation of banking activities;
- examined the transformation programme undertaken by the Bank's business lines with a view to adapting their organisation to meet MiFID II requirements; it submitted the Bank's mechanism for the Board's approval.

The Board:

- approved, based on the Committee Chairman's report, the internal control section of the Chairman of the Board's 2016 report;
- confirmed that the compliance and periodic control sections of the internal control report had been forwarded to the ACPR;
- examined, based on the Committee Chairman's report, all of the Risk Assessment Committee's work and work on measures to counter money laundering and financing of terrorism and the implementation of the KYC;
- reviewed the modifications made to the resolution documents, of which the updated version was submitted to the ECB;
- approved the recovery plan, of which the updated version was submitted to the ECB;
- was informed of the modifications to the bank resolution plan made by the European authorities;
- continued to monitor the deployment of the Remediation Plan;
- was informed of the introduction of Country policies and the implementation of KYC policies;
- was informed of the progress of legal proceedings and disputes, as well as incidents and the amount of losses incurred for those incidents;
- heard the Committee Chairman on monitoring implementation of the Volcker Rule and the French law on the separation and regulation of banking activities, approved the compliance programme pursuant to application of the Volcker Rule and received training on the provisions of this Rule;
- heard the results of the work done based on a report drawn up for the assessment and monitoring of risks in 2016; confirmed that the report on the assessment and monitoring of risks had been forwarded to the ACPR;
- acknowledged the update of the internal control charter;
- approved, within the framework of MiFID II, BNP Paribas organisation in relation to the supply of investment and related services and the policy on services, products and transactions proposed or supplied in accordance with corporate risk tolerance and the characteristics and needs of the customers to which they are proposed or supplied.

For the first time, SSM representatives from the European Central Bank (ECB) and representatives of the *Autorité de contrôle prudentiel et de résolution* (ACPR) attended a CCIRC meeting (on 16 March 2017).

The Committee dedicated a meeting to interviewing the Heads of the Risk, Compliance, Periodic Control and Legal Functions, without the presence of Executive Management and Business Line Management.

It reviewed the decision of the ACPR's Sanctions Committee, dated 30 May 2017, delivered within the context of the disciplinary proceedings against BNP Paribas.

It reviewed the administrative settlements drawn up between BNP Paribas and the AMF.

The Board:

- heard the report of the interviews;
- examined the Sanction Committee decision dated 30 May 2017;
- was informed of the administrative settlements drawn up between BNP Paribas and the AMF.

## 2.e Works performed by the Governance, Ethics, Nominations and CSR Committee (CGEN) and works approved by the Board of Directors in 2017

| Number of members | Meetings | Attendance rate |
|---|---|---|
| 4 | 6 | 100% |

### Changes in the membership of the Board and its specialised committees

The Governance, Ethics, Nominations and CSR Committee:

- examined the expiry dates of the Directors' terms of office and proposed that the Board ask the Shareholders' Annual General Meeting to renew the terms of office expiring in 2017, namely those of Jean Lemierre, Monique Cohen, Daniela Schwarzer, Fields Wicker-Miurin;
- asked the Board to put to the vote of the Annual General Meeting the appointment of Jacques Aschenbroich to the position of Director of the Bank;
- proposed to submit the reappointment of Jean Lemierre as Chairman of the Board of Directors of BNP Paribas to the Board of Directors, subject to approval by the Annual General Meeting of 23 May 2017 of the resolution on the renewal of his directorship;
- reviewed the situation of each Director and asked the Board to appoint Michel Tilmant to replace Jean-François Lepetit as Chairman of the Internal Control, Risk Management and Compliance Committee, Monique Cohen as a member of the Internal Control, Risk Management and Compliance Committee, Fields Wickler-Miurin as a member of the Remuneration Committee and Jacques Aschenbroich as a member of the Financial Statements Committee (as of 1 January 2018);
- examined the changes in Directors' obligations as set out by the Market Abuse Regulation that came into force on 3 July 2016;
- examined the situation of Directors asked to take up corporate offices outside the Group, as provided for by internal rules on holding multiple corporate offices and managing conflicts of interests.

The Board:

- asked the Shareholders' Annual General Meeting to renew the terms of office of the Directors in question and appoint a new Director;
- at the Committee's request, reappointed Jean Lemierre as Chairman of the Board of Directors;
- appointed the Directors proposed as members of the different Committees;
- was informed of changes to the obligations concerning the Directors as set out by the Market Abuse Regulation.

### Governance

The Governance, Ethics, Nominations and CSR Committee:

- reviewed the ECB's follow-up letter on Risk Governance and Appetite, and the Bank's draft response on the governance section;
- examined the new EBA guidelines due to come into force in June 2018 on internal governance and assessment of whether corporate officers are "fit and proper"; it studied BNP Paribas' compliance with these new guidelines;
- took note of the report of the Nominations Committees of the subsidiaries with a balance sheet total of over EUR 5 billion;
- was informed of the content of exchanges between the Chairman of the Board of Directors and investors about the Bank's governance;
- examined the corporate governance part of the Chairman's report for 2016; it recommended its approval to the Board of Directors.

The Board:

- was informed of the Committee's review of the ECB's follow-up letter on the governance section of the topical review of Risk Governance and Appetite and the Bank's response letter;
- was informed of the new EBA guidelines on internal governance and on the assessment of the "fit and proper" of corporate officers, as well as BNP Paribas' compliance with these new guidelines;
- approved the Corporate governance part of the Chairman's report for 2016.

### Assessment of the Board of Directors

In 2014, the Governance, Ethics, Nominations and CSR Committee asked the Board to call upon a firm of external expert advisors for an assessment every three years and to carry out an annual "internal" assessment in the meantime.

Within this framework, the Committee:

- following the result of the 2016 internal assessment which highlighted satisfaction in the Board's functioning, an action plan was proposed, consisting of improving the information provided to Directors on (i) digital, from the perspective of the breakdown of business models, and (ii) cyber security, by means of a training session;
- prepared the 2017 assessment of the Board of Directors and, within this framework, carried out the selection process to find an external firm to conduct the assessment.

The Board approved the action plan that followed the 2016 assessment as well as the choice of external firm to conduct the 2017 assessment of the Board of Directors.

### Code of conduct

The Governance, Ethics, Nominations and CSR Committee, in accordance with the powers invested in it, devoted one meeting to reviewing the deployment of the Code of conduct within the Group's subsidiaries and geographical areas.

The Board of Directors examined the progress of the deployment of the Code of conduct within the Group's subsidiaries and geographical areas.

The Board of Directors also approved the extension of the Code of conduct to incorporate the "Anti-corruption Code of conduct", drafted in accordance with the law of 9 December 2016 on transparency, the fight against corruption and modernisation of the economy.

### Directors' remuneration

In light of the Remuneration Committee's approval of the allocation of attendance fees for 2017, the Corporate Governance, Ethics, Appointment and CSR Committee examined the actual attendance of each Director on the committees and Boards in 2017.

### Social and Environmental Responsibility

As part of the extension of its powers, the Corporate Governance, Ethics, Nominations and CSR Committee examined the report on the Group's social and environmental responsibility and proposed some amendments and modifications.

The committees:

- reviewed the Bank's statement regarding the initiatives launched to ensure that its businesses and supply chains are not involved in practices identified as slavery, in accordance with the English law on ("Modern Slavery Act").

The Board of Directors:

- approved the Group's social and environmental responsibility report with the amendments proposed by the Committee;
- approved the Bank's statement in relation to the "Modern Slavery Act".

## 2.f Works performed by the Remuneration Committee and works approved by the Board of Directors in 2017

| Number of members | Meetings | Attendance rate |
|---|---|---|
| 4 | 4 | 94% |

Two members of the Remuneration Committee are also members of the Internal Control, Risk Management and Compliance Committee (Jean-François Lepetit until the Annual General Meeting on 23 May 2017 and then Monique Cohen and Nicole Misson); this promotes the work of the Committee on the adequacy of BNP Paribas' remuneration policy and risk policy, thus meeting the requirements of the CRD 4.

The Remuneration Committee:

- reviewed the Group's remuneration policy so as to incorporate issues relating to the management of conflicts of interests and protecting clients'interests, with a view to the entry into force of the European Directive, MIFID 2; it recommended the approval of the new remuneration policy for Group employees subject to Board of Directors' regulations;

- examined the issues relating to the 2016 remuneration of Group employees whose responsibilities within the Bank have a significant impact on the Group's risk profile ("material risk takers"), after receiving detailed information on these regulated persons:
  - the final scope of regulated persons;
  - deferred payment rules and methods concerning the payment of variable remuneration to regulated persons, as well as the 2017 public report on the remuneration paid to material risk takers in respect of 2016;
  - the summary of the General Inspection report concerning the implementation of the review of material risk takers' remuneration in respect of 2016;
- reviewed the list of the highest paid employees in 2016;
- reviewed the scope of material risk takers identified in respect of 2017;
- reviewed the criteria for determining those individuals'variable remuneration packages and was informed of the process for determining the remuneration of the relevant employees;
- checked the remuneration of the Head of Risks and Head of Compliance;
- examined the quantitative and qualitative performance criteria linked to the annual variable remuneration of executive corporate officers and proposed to the Board the variable remuneration to be paid to them in respect of 2016;
- discussed the incentive plans for executive corporate officers designed to encourage value creation over the long term. Against this backdrop, it proposed to approve the regulations governing the 2017 Long-Term Incentive Plan (LTIP) to better differentiate the impact of the potential outperformance of the BNP Paribas share relative to its European peers and its intrinsic share performance;
- set the principles of the remuneration policy, actual remuneration, allowances and benefits in kind granted to the corporate officers and Heads of Risk and Compliance of Group subsidiaries that meet the threshold set by law and that have delegated these missions to the committee;
- reviewed the Say on Pay sheets for each executive corporate officer of BNP Paribas, as well as the resolution relating to remuneration paid to material risk takers;
- examined the allocation of Directors' fees and the amount awarded to each Director in respect of 2017 on the basis of an audit of Directors' actual attendance at Board and Committee meetings.

The committee proposed that the Board maintain for 2018 the method of allocating Directors' fees and unit amounts within the framework of the overall amount of Directors' fees as approved by the Shareholders' Annual General Meeting in 2016.

The Board:

- at the Committee's request, approved the new remuneration policy for Group employees subject to regulations;
- adopted the principles for remuneration of the corporate executive officers in respect of 2017;
- appraised and approved the committee's assessment of the quantitative and qualitative performance criteria linked to the annual variable remuneration of executive corporate officers in respect of 2016;
- ensured that the change in the variable remuneration of executive corporate officers was appropriate;
- approved the LTIP regulations that will apply to long-term incentive plans from 2017 onwards, incorporating amendments to performance conditions previously approved by the Board of directors on 25 February 2016 and making it possible to better differentiate the impact of the potential outperformance of the BNP Paribas share relative to its European peers and its intrinsic share performance. These long-term incentive plans intended to link the remuneration of executive corporate officers to long-term value creation, remain based on share-price trends (intrinsic and relative), yet with a ceiling, while ensuring a sustainable and continuous performance compared to that of other European banks;
- approved the Say on Pay forms of the executive corporate officers to be submitted for the consultative vote of the Shareholders' Annual General Meeting;
- was informed by the Committee Chairman of the approach used to identify those employees whose professional activities have a significant impact on the Company's risk profile ("material risk takers") and the principles for their remuneration as proposed by Executive Management;
- heard the Chairman's report on the appropriateness of the remuneration of the Head of Risk and Head of Compliance;
- approved the individual allocation of Directors' fees for 2017.

# INTERNAL RULES OF THE BOARD OF DIRECTORS

Updated by the Board of directors on October 27, 2016



## PREAMBLE

The rules concerning:

- the Board of directors;
- the members of the Board of directors, including their rights and obligations;
- the Board of directors' Committees;

are set by the statutory and regulatory provisions, the articles of association of the Company and these rules.

The Board of directors also takes into account the French market guidelines concerning corporate governance and, in particular, the provisions of the corporate governance Code for listed companies published by the French employers' organisations *Association Française des Entreprises Privées* (Afep) and the *Mouvement des Entreprises de France* (Medef), hereinafter called the Afep-Medef Code, to which BNP Paribas (the "**Company**") refers.

The Board of directors is a collegial body that collectively represents all shareholders and acts in all circumstances in the corporate interests of the Company.

The Board of directors is assisted by specialised committees:

- Financial statements committee;
- Internal control, risk management and compliance committee;
- Corporate governance, Ethics, Nominations and CSR committee; and
- Remuneration committee;

as well as by any *ad hoc* committee.

## PART ONE – THE BOARD OF DIRECTORS, COLLEGIAL BODY

### ARTICLE 1. DUTIES OF THE BOARD OF DIRECTORS

The Board of directors discusses any question coming within the scope of its statutory and regulatory duties and contributes to promoting the corporate values aimed, in particular, to ensuring that the conduct of BNP Paribas' activities by its employees complies with the highest ethical requirements in order to protect the reputation of the Bank.

In particular and non-exhaustively, the Board of directors is competent in the following areas:

#### 1.1 ORIENTATIONS AND STRATEGIC OPERATIONS

The Board of directors:

- determines BNP Paribas' s business orientations and supervises their implementation by the Executive Management;
- subject to the powers expressly allocated to the shareholders' meetings and within the limit of the corporate purpose, it handles any issue concerning the smooth running of the Company and settles by its decisions any matters concerning it;
- gives its prior approval with respect to all investment or disinvestment decisions (other than portfolio transactions) in an amount in excess of EUR 250 million, and any proposal to acquire or dispose of shareholdings (other than portfolio transactions) in excess of that threshold, submitted to it by the Chief Executive Officer. It also regularly informs by the Chief Executive Officer of significant transactions which fall below this limit;
- gives its prior approval to any significant strategic transaction which falls outside the approved orientations.

#### 1.2 CODE OF CONDUCT

The Board of directors and the Executive Management have developed a Code of conduct of BNP Paribas Group which defines the standards of conduct in line with the values and missions determined by the Bank. This Code, which shall be integrated by each business line and each employee, governs the actions of each employee and guides the decisions at every level of the organisation. For this purpose, the Board ensures the Executive Management implements this Code into business lines, countries and regions.

#### 1.3 GOVERNANCE, INTERNAL CONTROL AND FINANCIAL STATEMENTS

The Board of directors:

- appoints the Chairman, the Chief Executive Officer (CEO) and, on the recommendation of the latter, the Chief Operating Officer(s) (COO);
- sets any limits to the powers of the Chief Executive Officer and of the Chief Operating Officer(s);
- examines the system of governance, which includes, in particular, a clear organisational structure with well defined, transparent and consistent sharing of responsibilities, efficient processes to identify, manage, monitor and report the risks to which the Company is or might be exposed to; it periodically assesses the efficiency of this governance system and ensures that corrective measures have been taken to remedy any failings;
- determines the orientations and controls their implementation by the actual managers of the monitoring measures in order to guarantee an effective and prudent management of the Company, including the segregation of duties in the organisation of the Company and the prevention of conflicts of interests;
- ensures the fulfilment of the obligations which are incumbent on it concerning internal control, and, in particular, examines, at least twice a year, the activity and the results of the internal control;
- approves the corporate governance report attached to the management report;
- carries out the controls and verifications which it deems appropriate;
- examines and closes the financial statements and ensures their sincerity;
- reviews, at least once a year, the draft budgets, the draft management report, and the drafts of the various statutory and regulatory reports which the Chairman or the Chief Executive Officer submit to it.

### 1.4. RISK MANAGEMENT

The Board of directors:

- approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which the Company is or might be exposed to, including the risks caused by the economic environment. In particular, the Board of directors approves the global risk limits and puts into place a specific process organising its information and, as the case may be, the referral of the matter to it in the event these limits are exceeded;
- gives its approval, as the case may be, to the dismissal of the head of risk management.

### 1.5. COMMUNICATION

The Board of directors:

- ensures that the financial information disclosed to the shareholders and the markets is of high quality;
- controls the process of financial publication and communication, quality and reliability of the information intended to be published and communicated by the Company.

### 1.6. REMUNERATION

The Board of directors:

- allocates the directors' attendance fees;
- adopts and regularly reviews the general principles of the remuneration policy of the Group which relates, in particular, to the categories of staff including the risk takers, staff engaged in control functions and any employee who, given his overall income, is in the same remuneration bracket as those whose professional activities have an impact on the risk profile of the Group;
- decides on the remuneration of the managers who are corporate officers (*dirigeants sociaux*), in particular their fixed and variable remuneration, as well as any other means of remuneration or benefit in kind.

### 1.7. RESOLUTION

The Board of directors settles the preventive recovery plan of the institution, as well as the items necessary to establish the resolution plan communicated to the competent regulatory authorities.

## ARTICLE 2. FUNCTIONING OF THE BOARD OF DIRECTORS

### 2.1. ORGANISATION OF THE MEETINGS

The Board of directors meets at least four times a year and as often as circumstances or BNP Paribas' interest requires this.

Notices of meetings may be communicated by the Secretary of the Board.

The Secretary of the Board prepares all of the documents necessary to the Board meetings and arranges to place all of the documentation at the disposal of the directors and other participants in the meetings.

An attendance register is kept, which is signed by the directors taking part in the meeting. It mentions the names of the directors considered as present.

The Board of directors' decisions are recorded in minutes which are entered into a special register, in accordance with the laws in force. The Secretary of the Board of directors is authorized to issue and certify copies or excerpts of the Board minutes. Each set of Board minutes must be approved at a subsequent Board meeting.

The decisions of the Board of directors are carried out either by the Chief Executive Officer, or a Chief Operating Officer, or by any special representative appointed by the Board of directors.

### 2.2. MEANS OF PARTICIPATION

Directors taking part in the meeting by videoconference (*visioconference*) or all telecommunication means enabling their identification, guaranteeing their effective participation, and meeting, through their technical features, the needs of confidentiality, of continuous and simultaneaous retransmission, with the exception of board meetings closing out the financial statements and the annual report, shall be deemed to be present for the purpose of calculating both the quorum and the majority. The minutes state, as the case may be, the occurrence of any technical incidents if they disturbed the conduct of the meeting.

# PART TWO – THE MEMBERS OF THE BOARD OF DIRECTORS

## ARTICLE 3. COMPOSITION, INFORMATION AND SKILLS

### 3.1 THE CHAIRMAN OF THE BOARD OF DIRECTORS

#### *3.1.1 Relations with the Company's other bodies and with parties outside the Company*

In relations with the Company's other bodies and with parties outside the Company, the Chairman of the Board of directors alone has the power to act on behalf of the Board of directors and to express himself in its name, except in exceptional circumstances, and except where specific assignments or duties are entrusted by the Board of directors to another director.

The Chairman makes sure that he maintains a close and trusting relationship with Executive Management. He provides him with his assistance and his advice while respecting his executive responsibilities. He organises his activities so as to ensure his availability and put his experience at the Company's service. He contributes to promoting the values and image of the Company, both within the Group and externally.

Coordinating closely with Executive Management, he can represent the Group in its high level relationships, and particularly with major clients, public authorities and the institutions on national, European and international levels.

He ensures that the quality of relations with shareholders is maintained, in close coordination with the work of Executive Management in this area.

He ensures that principles of corporate governance are defined and implemented.

The Chairman is the custodian of the proper functioning of the Board of directors of BNP Paribas. As such:

- with the support of the Corporate governance, Ethics, Nominations And CSR committee, with the approval of the Board of directors and of the Annual General Shareholders' Meeting, where appropriate, he endeavours to build an efficient and balanced Board, and to manage replacement and succession plan processes related to the Board of directors and nominations on which it will have to opine;
- he can attend all committee meetings and can add any subject to the agenda of the latter which he considers to be relevant;
- he ensures that the directors have the documentation and information necessary to carry out their duties in a timely manner and in a clear and appropriate form.

### *3.1.2 Organisation of the work of the Board of directors*

The Chairman organises and manages the work of the Board of directors in order to allow it to carry out all of its duties. He sets the timetable and agenda of Board Meetings and convenes them.

He ensures that the work of the Board of directors is well organised, in a manner conducive to constructive discussion and decision-making. He directs the work of the Board of directors and coordinates its work with that of the specialised committees.

He sees to it that the Board of directors devotes an appropriate amount of time to issues relating to the future of the Company and particularly its strategy.

The Chairman is kept regularly informed by the Chief Executive Officer and other members of the Executive Management of significant events and situations relating to the business of the Group, particularly those relating to: deployment of strategy, organisation, investment or disinvestment projects, financial transactions, risks, financial statements.

The Chief Executive Officer provides the Chairman with all information required under French law regarding the internal control report.

He may ask the Chief Executive Officer or any manager, in particular, the head of risk management, for any information likely to assist the Board and its committees in the carrying out of their duties.

He may hear the Statutory Auditors in order to prepare the work of the Board of directors and of the Financial Statements' Committee.

He prepares the report of the Chairman of the Board of directors drawn up pursuant to Article L. 225-37 of the French Commercial Code.

## 3.2 DIRECTORS

They undertake to act in the corporate interest of BNP Paribas and to comply with all of the provisions of these Internal Rules that are applicable to them, and more specifically the procedures of the Board of directors.

## 3.3 OTHER PARTICIPANTS

### *3.3.1 Non-voting directors (censeurs)*

The non-voting directors attend the meetings of the Board and of the specialised committees in an advisory capacity.

### *3.3.2 Statutory Auditors*

The Statutory Auditors attend the meetings of the Board and of the specialised committees which examine or close the annual or interim financial statements and may attend the meetings of the Board and of the specialised committees when the Chairman of the Board considers it necessary.

### *3.3.3 Persons invited*

The Board can decide to invite one or several persons to attend the meetings.

### *3.3.4 Representative of the Works Council (Comité central d'entreprise – CCE)*

The representative of the Works Council attends the meetings of the Board in an advisory capacity.

### *3.3.5 Secretary of the Board*

The Secretary of the Board is appointed by the Board and attends the meetings of the latter.

### *3.3.6 Head of risk management*

If necessary, in the event of a change in the risks affecting or likely to affect BNP Paribas, the head of risk management can report directly to the Board and, as the case may be, to the Internal control, risk management and compliance committee, without referring to the actual managers.

The individuals specified in point 3.3 are subject to the same rules of ethics, confidentiality and professional conduct as the directors.

## 3.4 ACCESS TO THE INFORMATION

### *3.4.1 Information and documentation*

For the purpose of efficiently participating in the Board of directors' Meetings and making enlightened decisions, each director may ask that the Chairman or the Chief Executive Officer communicates to him all documents and information necessary to perform his duties, if these documents are useful for making decisions and are related to the Board of directors' powers.

Requests are sent to the Secretary of the Board of directors who informs the Chairman thereof.

When the Secretary of the Board of directors considers this preferable, for reasons of convenience or confidentiality, the documents thus placed at the disposal of the directors as well as of any person attending the meetings of the Board are consulted through the Secretary of the Board or the competent employee of the Group.

### *3.4.2 Systems*

The placing at disposal of the directors or of any person attending the meetings of the Board of all of the documentation with a view to meetings may be done by any means, including dematerialised. In this case, all the measures of protection considered necessary are taken to protect the confidentiality, the integrity and the availability of the information and each member of the Board or any person who has received the documentation is responsible not only for the systems and media thus placed at disposal but also for their access.

## 3.5 TRAINING, INDIVIDUAL AND COLLECTIVE SKILLS

The directors of BNP Paribas possess, both individually and collectively, the expertise, experience, skills, understanding and personal qualities necessary, notably in terms of professionalism and integrity, to properly perform their duties concerning each of the significant activities of BNP Paribas and guaranteeing efficient governance and supervision.

The directors shall see to maintaining their level of knowledge in financial matters. For this purpose, the company devotes the resources necessary to the training of the directors, in particular in the banking and financial field. Annual training courses are provided by BNP Paribas during which the members of the Board meet the persons in charge of the topics presented and by strategic seminars organised by BNP Paribas for the benefit of its directors.

The directors elected by the employees benefit from time devoted to training determined by the Board. At the end of the training, the training centre chosen by the Board must issue a certificate of regular attendance, which the director elected by the employees must remit to the Secretary of the Board.

## ARTICLE 4. OBLIGATIONS

### 4.1 HOLDING AND KEEPING OF BNP PARIBAS SHARES

Every director appointed by the General Shareholders' Meeting must personally hold 1,000 shares. The director must hold all of the shares at the expiry of the period of payment of the directors' attendance fees corresponding to twelve months of directorship. At the expiry of this period, every director shall make sure to keep the minimum number of BNP Paribas' shares throughout his term of office.

The directors undertake not to engage in any individual hedging or insurance strategies to cover their risk on such shares.

### 4.2 ETHICS - CONFIDENTIALITY

#### *4.2.1 Ethics*

##### 4.2.1.1 Availability and regular attendance

The members of the Board of directors shall devote the time and the effort necessary to carrying out their duties and responsibilities. They accept the discipline involved in working together in the respect of each other's opinions and they exercise their sense of responsibilities towards shareholders and the other stakeholders of the Group.

Directors shall actively and regularly participate in meetings of the Board of directors and of the committees, and shall attend the Annual General Shareholders' Meeting.

The directors elected by the employees benefit from a preparation time determined by the Board.

##### 4.2.1.2 Independence and loyalty

Every member of the Board of directors must maintain at any time his independence of mind, analysis, assessment, decision and action so as to be able to issue opinions and make decisions in an informed, judicious, objective and independent way. He freely expressed his positions, eventually minority positions, about the subjects discussed in the meetings.

He shall act with loyalty towards the other directors, shareholders and BNP Paribas.

He shall refuse any benefit or service liable to compromise his independence.

##### 4.2.1.3 Duty of vigilance

Each member of the Board of directors is bound by a duty of vigilance with respect to the keeping, use and, as the case may be, the return of the systems, documents and information placed at disposal.

#### *4.2.2 Confidentiality*

Any director and any person participating in the work of the Board are bound by an obligation of absolute confidentiality about the content of the discussions and decisions of the Board and of its committees as well as the information and documents which are presented therein or which are provided to them, in any form whatsoever.

He is prohibited from communicating to any person outside of the Board of directors' information which may not have been made public by BNP Paribas.

### 4.3 ETHICAL CONDUCT – HOLDING MULTIPLE DIRECTORSHIPS - CONFLICTS OF INTERESTS – PERSONAL DECLARATIONS

#### *4.3.1 Ethical conduct*

If directors have any questions related to ethical conduct, they may consult the head of the Group Compliance Function.

The legislation relating to insider trading applies particularly to directors both in a personal capacity and when carrying out their duties within companies that hold shares in BNP Paribas. They are required, in particular, to respect the legal requirements governing the definition, communication and exploitation of privileged information, the principal provisions of which are communicated to them when they take directorship.

Directors can only deal in securities of BNP Paribas on a personal basis during the period of six-weeks beginning on the day after the publication of the quarterly and annual financial statements, or after the publication of a press release on the Company's running, unless they are in possession during that period of information that puts them in the position of an insider with respect to the stock exchange regulations.

Directors shall refrain from any transactions that could be considered as speculative, and in particular from leveraged purchases or sales, or short-term trading.

The director as well as the persons with close connections with him are under the obligation to declare to the French Financial Markets Authority (Autorité des Marchés Financiers – AMF), which ensures the publication thereof, and to BNP Paribas the transactions that they execute in BNP Paribas shares and the financial instruments related thereto.

#### *4.3.2 Accumulation of directorships*

The director must comply with the statutory and regulatory provisions which are applicable to him or which are applicable to BNP Paribas concerning the holding of multiple directorships, including the procedure of the Board of directors regarding the number of directorships.

A director who considers himself unable to continue to perform his duties on the Board of directors, or on the committees of which he is a member, must resign.

#### *4.3.3 Conflicts of interests*

The director respects the applicable legal and regulatory provisions regarding conflicts of interests – in particular the so-called "*conventions réglementées*" regime as well as the procedure of the Board of directors regarding conflicts of interests.

The director undertakes to avoid, as far as possible, carrying out activities or entering into transactions which could be the source of conflicts of interests or which may, for third parties, appear to be in conflict of interests.

In order to allow the Board to ensure the proper implementation of the rules regarding conflicts of interests, the director shall consult with the Chairman of the Board of directors about any situation which would be liable to be a conflict of interests.

In this case, the director informs the Chairman of the Board of directors of his intention to accept a new corporate office, whether in a listed or unlisted entity, French or foreign, not belonging to a group of which he is a manager or any participation in the specialised Committees of a corporate body or any other new directorship, in such a way that the Board of directors, on the recommendation of the Corporate Governance, Ethics, Nominations and CSR Committee may decide on the compatibility of such an appointment with the office of director in the Company.

Any Director of foreign nationality subject to statutory and regulatory obligations liable to be imposed on him because of his nationality must, at his initiative, not participate in certain decisions of the Board.

In the event of breach of the obligations with respect to conflict of interests by a director, the Chairman of the Board of directors shall take all the statutory measures necessary in order to remedy it. He can, furthermore, keep the regulators concerned informed of such acts.

#### *4.3.4 Personal declarations*

The director undertakes to inform the Secretary of the Board as soon as possible of any change in his personal situation (change of address, appointment, directorships, duties carried out, etc).

The director informs the Chairman of the Board of directors of any criminal or civil order entered against it, management prohibition, administrative or disciplinary sanction or measure of exclusion from a professional organisation as well as of any proceedings liable to entail such sanctions against him, any dismissal for professional misconduct or any dismissal from a directorship of which he may be the subject. Similarly, the director informs the Chairman of the Board of directors of any criminal or civil order entered against it, administrative or disciplinary sanction or measure of exclusion from a professional organisation, as well as of any Court-ordered reorganisation or liquidation measure of which a company of which he is the manager, shareholder or partner is the subject or would be liable to be the subject.

### ARTICLE 5. REMUNERATION OF DIRECTORS AND NON-VOTING DIRECTORS (CENSEURS)

The overall amount of the directors' attendance fees is determined by the General Shareholders' Meeting.

The individual amount of the attendance fees is determined by the Board of directors pursuant to a proposal by the Remuneration Committee. It comprises a predominant variable portion based on actual participation in Meetings, regardless of the means. Directors residing abroad receive an increased amount except where their actual participation is provided by videoconference (*visioconference*) or all telecommunication means.

Actual participation in the committees entitles committee members to an additional attendance fee, the amount of which may differ depending on the committees. Committee members receive this additional attendance fee for their participation in each different Committee. The Chairmen of Committees receive an increased additional fee.

The remuneration of the non-voting directors is determined by the Board of directors pursuant to a proposal of the Remuneration Committee.

## PART THREE – THE BOARD OF DIRECTORS' SPECIALISED COMMITTEES

To facilitate the performance of their duties by BNP Paribas' directors, specialised committees are created within the Board of directors.

### ARTICLE 6. COMMON PROVISIONS

#### 6.1 COMPOSITION AND SKILLS

They consist of members of the Board of directors who do not carry out management duties within the Company. They include the required number of members who meet the criteria required to qualify as independent, as recommended by the Afep-Medef Code. The members of the committees have the knowledge and skills suited to carry out of the missions of the committees in which they participate.

The Remunerations Committee includes at least one Director representing the employees.

Their remits do not reduce or limit the powers of the Board of directors.

The Chairman of the Board of directors sees to it that the number, missions, composition, and functioning of the committees are adapted at all times to the Board of directors' needs and to the best corporate governance practices.

By decision of the Board, the Internal Control, Risk Management and Compliance Committee (CCIRC), the Remunerations Committee (RemCo), the Corporate governance, Ethics, Nominations and CSR committee (CGEN) may, in accordance with the provisions of Article 511-91 of the French Monetary and Financial Code (*Code Monétaire et Financier*) ensure their missions for the companies of the Group under the supervision of the regulator on a consolidated or sub-consolidated basis.

#### 6.2 MEETINGS

The committee shall meet as often as necessary.

#### 6.3 MEANS PLACED AT THE DISPOSAL OF THE COMMITTEES

They may call upon outside experts when needed.

The Chairman of a Committee may ask to hear any officer within the Group, regarding issues falling within this committee's jurisdiction, as defined in the present internal Rules.

The Secretary of the Board prepares all of the documents necessary to the meetings of the specialised Committees and organises the placing of the documentation at the disposal of the directors and other participants in the meetings.

This documentation can be placed at disposal by any means, including dematerialised. In this case, all the measures of protection considered necessary are taken for the purposes of protecting the confidentiality, integrity and the availability of the information and each member of the specialised committee concerned or any person who has received the documentation is responsible not only for the systems and media and their provision but also for their access.

### 6.4 OPINIONS AND MINUTES

They express opinions intended for the Board of directors. The Chairmen of committees, or in case of their impediment another member of the same committee, present a verbal summary of their work at the next Board of directors' meeting.

Written reports of committees'meetings are prepared and communicated, after approval, to the directors who so request.

## ARTICLE 7. THE FINANCIAL STATEMENTS' COMMITTEE

### 7.1 MISSIONS

In accordance with the provisions of the French Commercial Code, the Committee ensures the monitoring of the issues concerning the preparation and verification of the accounting and financial information.

#### *7.1.1 Monitoring of the process of preparation of the financial information*

The Committee is tasked with analysing the quarterly, half-yearly and annual financial statements issued by the Company in connection with the closing of financial statements and obtaining further explanations of certain items prior to presentation of the financial statements to the Board of directors.

The Committee shall examine all matters relating to the financial statements and documents: the choices of accounting principles and policies, provisions, analytical results, prudential standards, profitability indicators, and all other accounting matters that raise methodological issues or are liable to give rise to potential risks.

It makes, as the case may be, recommendations, in order to ensure integrity of the elaboration process of the financial information.

#### *7.1.2 Monitoring of the efficiency of the internal control systems and of risk management concerning accounting and financial matters*

The Committee shall analyse, at least twice a year, the summary of the operations and the results of the accounting and financial internal control, as well as those originate from controls on the elaboration process and processing of accounting and financial information, based on the information communicated to it by the Executive Management. It shall be briefed of incidents revealed by the accounting and financial internal control, reported on the basis of the thresholds and criteria defined by the Board of directors and shall report on its findings to the Board of directors.

It is informed by the Chairman of the Board of directors of any possible failure to implement corrective measures decided within the framework of the accounting and financial internal control system that has been brought to his direct knowledge by the head of periodic control and reports on its findings to the Board of directors.

#### *7.1.3 Monitoring of the statutory auditing of the annual financial statements and of the consolidated financial statements by the Statutory Auditors as well as of the independence of the Statutory Auditors*

The Committee shall steer the procedure for selection of the Statutory Auditors, express an opinion on the amount of fees charged for conducting the legal auditing engagements and report to the Board of directors on the outcome of this selection process.

It shall review the Statutory Auditors' audit plan, together with their recommendations and their monitoring.

It shall be notified on a yearly basis of the amount and breakdown of the fees paid by the BNP Paribas Group to the Statutory Auditors and the networks to which they belong, calculated using a model approved by the Committee. It shall ensure that the amount or the portion of the audit firms or the networks'revenues that BNP Paribas represents is not likely to compromise the Statutory Auditors' independence.

Its prior approval shall be required for any engagement entailing total fees of over EUR 1 million (before tax). The Committee shall approve, a posteriori, all other engagements, based on submissions from the Group Finance. The Committee shall validate the Group Finance's fast-track approval and control procedure for all "non-audit" engagements entailing fees of over EUR 50,000. The Committee shall receive, on a yearly basis from the Group Finance, a report on all "non-audit" engagements carried out by the networks to which the Group's Statutory Auditors belong.

It receives from the Statutory Auditors a written report on their main observations concerning the weaknesses of internal control and reviews it, as well as most significant recommendations issued in the framework of their mission and reviews it. It takes notes of the most significant statements and recommendations issued by the internal audit in the framework of their missions regarding accounting and financial information.

Each Statutory Auditor shall report on a yearly basis to the Committee on its internal control system for guaranteeing its independence, and shall provide a written statement of its independence in auditing the Group.

The Committee accounts for the statements and conclusions of the *Haut Conseil des Commissaires aux comptes* (H3C) resulting from the controls provided by the H3C in the professional activity of Statutory Auditors.

At least twice a year, the Committee shall devote part of a meeting to a discussion with the team of Statutory Auditors, without any member of the company's Executive Management being present.

The Committee meets in the presence of the team of Statutory Auditors, to review quarterly, half-yearly and annual financial statements.

However, the Statutory Auditors shall not attend all or part of Committee meetings dealing with their fees or their re-appointment.

The Statutory Auditors shall not attend all or part of Committee meetings dealing with specific issues that concern a member of their staff.

Except in the event of exceptional circumstances, the files containing the quarterly, half-yearly and annual results and financial statements shall be sent to Committee members at the latest on the Friday or Saturday morning preceding Committee meetings scheduled for the following Monday or Tuesday.

Where questions of interpretation of accounting principles arise in connection with quarterly, half-yearly and annual results, and involve choices with a significant impact, the Statutory Auditors and Finances Group shall submit, on a quarterly basis, a memorandum to the Committee analysing the nature and significance of the issues at play, presenting the pros and cons of the various possible solutions and explaining the rationale for the choices ultimately made.

They present, at least twice a year, a note on the works on certification of the financial statements. Based on it, the Committee reports to the Board on the results of this mission and on the way this mission has contributed to the integrity of the financial information and on his own role in it.

### 7.2 CHAIRMAN'S REPORT

The Committee shall review the draft Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information.

### 7.3 HEARINGS

With regard to all issues falling within its jurisdiction, the Committee may, at its initiative, hear the heads of finances and accounting of the Group, as well as the head of Asset/liability management.

The Committee may ask to hear the head of Finances Group with regard to any issue within its jurisdiction, for which he may be held liable, or the Company's management may be held liable, or that could call into question the quality of accounting and financial information disclosed by the Company.

## ARTICLE 8. THE INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

### 8.1 MISSIONS

#### *8.1.1 Missions concerning the global risk strategy*

The Committee advises the Board of directors on the adequacy of the global strategy of the Company and the overall current and future risk appetite. It assists the Board of directors when the latter verifies the implementation of this strategy by the actual managers and by the head of risk management.

The Committee examines the key orientations of the Group's risk policy, based on measurements of risks and profitability of the operations provided to it in accordance with the regulations in force, as well as any specific issues related to these matters and methods.

In the event that a global risk limit is exceeded, a procedure to refer the matter to the Board of directors is provided for. The Executive Management informs the Chairman of the Committee, who can decide to convene the Committee or to request the convening of the Board of directors.

#### *8.1.2 Missions concerning the examination of the prices of the products and services proposed to customers*

In the framework of its mission and according to the terms it shall define, the Committee examines whether the prices of the products and services proposed to customers are compatible with the risk strategy. Where prices do not properly reflect the risks, it presents to the Board of directors an action plan to remedy this.

#### *8.1.3 Missions concerning remuneration*

Without prejudice to the missions of the Remunerations committee, the Risk committee examines whether the incentives provided for by the policy and the remuneration practices of the Company are compatible with its situation with respect to the risks to which it is exposed, its capital, its liquidity and the probability and the spreading over time of the expected profits.

To carry out this mission, the Chairman of the Committee shall attend to the Remunerations committee's meeting and presents to it the position upheld.

#### *8.1.4 Missions concerning internal control and compliance*

The Committee also tackles all compliance-related issues, particularly those in the areas of reputation risk or professional ethics.

The Committee analyses the risk measurement and monitoring report. Twice a year it examines the internal control operations and findings (excluding accounting and financial internal control, which is the responsibility of the Financial Statements Committee) based on the information provided to it by Executive Management and the reports presented to it by the heads of permanent control, compliance and periodic controls. It reviews the Company's exchanges of correspondence with the Secretariat General of the Prudential Control and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR).

The Committee is briefed on incidents revealed by internal control that are reported on the basis of the thresholds and criteria defined by the Board of directors and reports on its findings to the Board of directors.

It analyses the status of recommendations made by the General Inspection unit that were not implemented. It is informed by the Chairman of the Board of directors of any possible failure to implement corrective measures decided within the framework of the internal control, of which it would have been informed directly by the head of periodic control and reports on its findings to the Board of directors.

### 8.2 HEARINGS

It proceeds with the hearing, excluding the presence of the Executive Management, of the heads of the Group control functions (General Inspection, Compliance, Risk and Legal).

It presents the Board of directors with its assessment concerning the methods and procedures employed.

It expresses its opinion concerning the way these functions are organised within the Group and is kept informed of their work programme.

### 8.3 ACCESS TO THE INFORMATION

The Committee has all the information about the situation of the Company with respect to risks. It may, if this is necessary, use the services of the head of risk management or of outside experts.

### 8.4 MEETINGS COMMON TO THE FINANCIAL STATEMENTS' COMMITTEE AND THE INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

The Financial statements' committee and the Internal control, risk management and compliance committee shall meet at the request of the Chairman of the Internal control, risk management and compliance committee, or at the request of the Chairman of the Financial Statements' committee or at the request of the Chairman of the Board of directors.

In that context, the members of these Committees:

- shall be briefed of the mission plan of the General Inspection and of the audit plan of the Statutory Auditors and shall prepare the work of the Board of directors in assessing the risk policies and management systems;
- deal with common subjects concerning the risks and financial impacts policy (including provisioning). They carry out, in particular, a systematic review of the risks that can in the future have a significant impact on the financial statements.

This meeting shall be chaired by the Chairman of the Financial statements' committee.

## ARTICLE 9. THE CORPORATE GOVERNANCE, ETHIC, NOMINATIONS AND CSR COMMITTEE

### 9.1 MISSIONS CONCERNING CORPORATE GOVERNANCE

The Committee is tasked with monitoring corporate governance issues. Its role is to help the Board of directors to adapt corporate governance practices within BNP Paribas and to assess its functioning.

It ensures the follows up on a regular basis of the evolution in the governance disciplines at the global, European and national levels. At least once a year, it presents a summary thereon to the Board of directors. It selects measures that are suitable for the Group and which are likely to bring its procedures, organisation and conduct in line with best practice in this area.

It examines the draft report of the Chairman of the Board of directors on corporate governance and all other documents required by applicable laws and regulations.

The Committee is in charge of the follow up of questions related to the social and environmental responsibility ("CSR"). For this purpose, it handles more specifically the Group's contribution to sustainable economic development, in particular by an ethical financing of the economy, by promoting the development and the commitment of the employees, by the protection of the environment and the fight against climate change, as well as the positive impact of the Group in the society.

### 9.2 CODE OF CONDUCT

The Committee instigates regular monitoring of the update of BNP Paribas Group's Code of conduct.

### 9.3 MISSIONS CONCERNING THE SELECTION OF THE DIRECTORS, MEMBERS OF THE COMMITTES AND THE NON-VOTING DIRECTORS (CENSEURS)

The Committee identifies and recommends to the Board of directors candidates suitable for the office of director, with a view to proposing their candidacy to the General Meeting. Such selection shall be carried out in accordance with the internal procedure of the selection of and the succession plan for the members of the Board.

It specifies the missions and the qualifications necessary for the duties to be carried out within the Board of directors and calculates the time to be devoted to such duties. In the determination of the potential candidates, the Committee assesses the balance of skills, experience, diversity, as well as the integrity and the capacity of understanding of the stakes and of the risks, both personal and collective, of the members of the Board. It ensures, furthermore, that the candidates are able to act objectively, critically and independently, notably with respect to other directorships they hold, that they have the courage necessary to express their thoughts and their judgements, sufficient availability to have a strong commitment in their duties and the objectivity indispensable for their directorship and, lastly, the desire to protect the interests the Company and ensure its proper running.

The Committee sets an objective to achieve with respect to the balanced representation of women and men on the Board of directors. It draws up a policy aimed at achieving this objective.

The candidate chosen is received by the Chairman of the Committee and the Chairman of the Board. The Committee decides upon the submission of the candidacy to the Board in order, if the Board decides so, to propose such candidacy to the General Meeting.

It proposes the appointment of non-voting directors to the Board of directors.

It is also responsible for examining provisions allowing for the succession of the directors to be prepared.

In cooperation with the Chairman of the relevant Committee, it makes recommendations to the Board of directors on the appointment of the members and the Chairmen of the Committees when they are to be renewed.

### 9.4 MISSIONS CONCERNING THE ASSESSMENT OF THE BOARD OF DIRECTORS

The Committee periodically assesses and at least once a year, the balance and the diversity of knowledge, skills and experience which the members of the Board of directors have individually and collectively.

The Committee periodically assesses and at least once a year, the structure, the size, the composition and the effectiveness of the Board of directors with respect to the missions which are entrusted to it and makes any useful recommendations to the Board. It also examines the availability of the directors.

Furthermore, an assessment of the Board of directors is made by a firm of external expert advisors every three years.

### 9.5 MISSIONS CONCERNING THE SELECTION OF THE CHAIRMAN, MEMBERS OF THE EXECUTIVE MANAGEMENT AND OF THE HEAD OF RISK MANAGEMENT

The Committee periodically examines the policies of the Board of directors for selection and appointment of the actual managers, of the Chief Operating Officer(s) and of the head of risk management and makes recommendations in the matter.

The Committee puts forward recommendations for the selection of the Chairman for consideration by the Board of directors. Acting jointly with the Chairman, the Committee puts forward recommendations for the selection of the Chief Executive Officer for consideration by the Board of directors, and acting on the recommendation of the Chief Executive Officer, it puts forward recommendations for the selection of the Chief Operating Officers. It is informed, as the case may be, by the Chairman, the Chief Executive Officer and the Chief Operating Officer(s) of any new corporate office or any new duties which one of them is considering carrying out and prepares the analysis which will enable the Board of directors to decide on the opportunity of such prospect.

It is also responsible for examining the provisions allowing the succession of the Chairman and of the members of the Executive Management to be prepared.

### 9.6 MISSIONS CONCERNING THE ASSESSMENT OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING OFFICER(S)

The Committee assesses the action of the Chairman,

It makes an assessment of the performance of the Chief Executive Officer and of the Chief Operating Officer(s) in the light of the business orientations established by the Board of directors and taking into consideration their capacities for anticipation, decision, organisation and exemplarity.

### 9.7 MISSIONS CONCERNING THE INDEPENDENCE OF THE DIRECTORS

It is also tasked with assessing the independence of the directors and reporting its findings to the Board of directors.

### 9.8 MISSIONS CONCERNING THE GENERAL BALANCE OF THE BOARD OF DIRECTORS

The Committee ensures that the Board of directors is not dominated by one person or, a small group of persons in a manner that is detrimental to the interests of the Company.

### ARTICLE 10. THE REMUNERATION COMMITTEE

The Committee prepares the decisions that the Board of directors approves concerning remuneration, in particular that which has an effect on risk and the management of risks.

The Committee makes an annual examination:

- of the principles of the remuneration policy of the Company;
- of the remuneration, indemnities and benefits of any kind granted to the Company officers of the Company;
- of the remuneration policies of the categories of staff, including the executive managers, risk takers, and staff engaged in control functions and any employee, who given his overall income, is in the same remuneration bracket as those whose professional activities have a material impact on the risk profile of the Company or of the Group.

The Committee directly controls the remuneration of the head of risk management and of the head of compliance.

Within the framework of the missions described above, the Committee prepares the work of the Board of directors on the principles of the remuneration policies, in particular concerning Group staff whose professional activities have a material impact on the Group's risk profile, in accordance with the regulations in force.

It is tasked with studying all issues related to the personal status of the corporate officers, and in particular the remuneration, the amount of retirement benefits and the allotment of subscription or purchase options to the Company's shares, as well as the provisions governing the departure of the members of the Company's management or representational bodies.

It examines the conditions, the amount and the distribution of the subscription or purchase stock option plans. Similarly, it examines the conditions for the allotment of free shares.

With the Chairman, it is also within its remit to assist the Chief Executive Officer with any matter relating to the remuneration of senior executives that the latter might submit to it.

## PROCEDURE OF THE BOARD OF DIRECTORS REGARDING THE NUMBER OF DIRECTORSHIPS

Under paragraph 4.3.2 *Accumulation of Company offices* of the Internal Rules of the Board of directors:

*"The director must comply with the statutory and regulatory provisions which are applicable to him or which are applicable to BNP Paribas concerning the holding of multiple corporate offices, including the procedure of the Board of directors regarding the number of directorships.*

*A director who considers himself unable to continue to perform his duties on the Board of directors, or on the committees of which he is a member, must resign."*

*Statutory and Regulatory provisions applicable to directors regarding the number of directorships due to BNP Paribas being a credit institution are provided for in articles L.511-52 and R.511-17 of the French Financial and Monetary Code (the Provisions of the CMF)*[1].

*"Art. L. 511-52. – I. Persons performing the effective direction of the credit institution or the financing company's activity as provided for in article L.511-13, so as the members of the Board of directors, the Supervisory board, the Executive board or any other body of the company performing similar functions commit sufficient time to their function within the company.*

*II. Where the credit institution or the financing company is significant in terms of its size, internal organisation and the nature, the scale and the complexity of its activities, the persons referred to at I. shall not simultaneously hold, within any legal entity:*

**1°** More than one directorship for one of the functions mentioned at the 1° of IV and two directorships for one of the functions listed at the 2° of IV ; or

**2°** More than four directorships for one of the functions listed at the 2° of IV.

*However, the French Autorité de contrôle prudentiel et de résolution may, by taking account of the particular situation as regards the nature, the scale and the complexity of the credit institution or the financing company, authorise a person in the aforementioned cases 1° or in 2° to hold an additional directorship for one of the functions provided for in the 2° of IV.*

*The provisions of such II are not applicable to members appointed pursuant to articles 4 or 6 of the ordonnance n° 2014-948 of August 20, 2014 regarding the governance and the operations on equity of "sociétés à participation publique" within the board of directors, the supervisory board, the executive board or any other body of the company performing similar functions in a credit institution or financing company.*

*(1) Directors must comply with the provisions of the French Commercial Code as well as those of the Afep-Medef Code of Corporate Governance for Listed Companies published by the French Association Française des Entreprises Privées (Afep) and the Mouvement des Entreprises de France (Medef) in this field.*

*III. For the application of II, shall be considered as a single function:*

**1°** Functions held within the same group as defined in article L.233-16 of the French Commercial Code. Institutions and financing companies affiliated to a network and the central agency in accordance with article L.511-31 are considered as being part of the same group for the application of the present article. The same applies for entities belonging to cooperative groups governed by similar provisions under their applicable law;

**2°** Functions held within companies, including non-financial entities, in which the credit institution or the financing company holds a qualified holding in accordance with 36) paragraph 1 of article 4 of the regulation (UE) n° 575/2013 of the European Parliament and of the Council dated June 26, 2013.

*Functions held within entities, whose objective is not predominantly commercial, including when they have a commercial form, are not taken into account.*

*IV. Performing of functions subject to the provisions of II are:*

**1°** Functions of the persons referred to in article L.511-13, functions of chief executive officer, of chief operating officer, of member of the executive board, of "directeur général unique" or of any other person performing equivalent functions."

**2°** Functions of member of the board of directors, supervisory board or any other corporate body performing equivalent functions.

*"Article R. 511-17 – I. The rules on the limitation of directorships provided for at II to IV of article L.511-52 are applicable within a financial institution or a financing company that meets either of the following conditions:*

**1°** The total balance sheet of the company, corporate or consolidated, exceeds, for two consecutive accounting periods, fifteen billion euros;

**2°** The French *Autorité de contrôle prudentiel et de résolution* has decided that the credit institution or the financing company is of a significant importance regarding its internal organisation or nature, scale and complexity of its activities.

*The rules on the limitation of directorships provided for at II to IV of article L.511-52 are not applicable to provisory administrators appointed as such by credit institutions or financing companies.*

*II – For the application of the rules on the limitation of directorships provided for in II to IV of article L.511-52, the functions mentioned in this point IV are taken into account when performed within a legal entity having its registered office on the French territory or abroad.*

*The performance, within the same company or within the same group of companies within the meaning of 1° to 2° of the III of article L.511-52, of one or more directorships for one of the functions mentioned at the 1° of IV of the same article and of one or more directorships for one of the function mentioned at the 2° of IV of the same article, by a natural person to which apply the rules on the limitation of directorships is counted as a directorship for one of the functions listed at 1° of IV of article L.511-52.*

*III – When a credit institution or a financing company meets the condition provided for in the 1° of I, the natural persons concerned by the application of the rules on the limitation of directorships shall comply with such rules at the latest at the approval of the accounts of the second financial year presenting a total balance sheet, social or consolidated, exceeding fifteen billion euros.*

*When the French Autorité de contrôle prudentiel et de résolution has decided that the company is of a significant importance in accordance with the 2° of I, the natural persons concerned by the rules on the limitation of directorships have three months starting from the notice of the decision of the Authority to comply with such rules.*

*In any other case, a natural person who is infringing the rules on the limitation of directorships has a three months period starting from the event that triggered the situation to regularise it.*

In accordance with the Provisions of the CMF, and subject to the benefits of the rules for calculation of the number of directorships provided for by them, a director of BNP Paribas cannot hold:

- if he holds an executive directorship, more than two directorships as board member (or assimilated directorships), including the one within BNP Paribas;
- if he does not hold an executive directorship, more than four directorships as board member (or assimilated directorships), including the one within BNP Paribas.

## I. Appointment of a new director

**1.1** Once a candidate is chosen by the Committee of Governance, Ethics, Nominations and RSE (*CGEN*) (see *Selection procedure of the members of the Board of directors*) and prior to submitting it to the Board of directors, the Secretary of the Board of directors (SCA), under the responsibility of the Chairman of the Board of directors:

- contacts the candidate in order to request the list of directorships that he might hold so as other functions that he is performing,
- ensures that the candidate respects the Provisions of the CMF regarding the number of directorships,
- checks that these directorships and functions are suitable with the position as a director of BNP Paribas in accordance with the Procedure regarding conflicts of interests.

**1.2** The candidate shall certify that the list of directorships and functions is complete and provide on request of the SCA any document (company bylaws, extracts from trade registers and equivalent etc.) certificate, statement, etc. that the SCA deems useful to have.

**1.3** The SCA analyses the directorships declared by the candidate so as to ensure that the Provisions of the CMF are complied with.

He checks in particular if the rules for calculation of the directorships provided for by the Provisions of the CMF are applicable and duly justified. He stores the written documents on which the analysis and the conclusions were based.

As part of this review, the SCA may proceed to the researches he deems useful.

**1.4** At the outcome of the review mentioned in point 1.3:

- either the candidate complies with the Provisions of the CMF: the SCA informs the Chairman of the Board of directors who shall inform the Chairman of the CGEN.

  The CGEN shall then propose the candidate to the Board of directors which shall take a decision on his appointment or his cooptation, as the case may be;
- either the candidate does not comply with the Provisions of the CMF: the SCA informs the Chairman of the Board of directors who shall inform the Chairman of the CGEN in order to discuss with the candidate the measures allowing him to comply with the Provisions of the CMF. If the candidate is not willing or cannot implement the necessary steps, the SCA established minutes to the attention of the CGEN, which acts the end of the selection process.

If the candidate is willing to take the necessary arrangements prior to his nomination or his cooptation, the SCA mentions this in minutes which will then be reviewed by the Board of directors which will decide, his nomination or his cooptation, as the case may be.

## II. During the directorship

**2.1.** Under paragraph 4.3.3, subparagraph 4 of the internal Rules of the Board of directors:

*"In this case, the director informs the Chairman of the Board of directors of his intention to accept a new corporate office, whether in a listed or unlisted entity, French or foreign, not belonging to a group of which he is a manager or any participation in the specialised Committees of a corporate body or any other similar new office, in such a way that the Board of directors, on the recommendation of the Corporate Governance, Ethics, Nominations and CSR Committee may decide on the compatibility of such an appointment with the office of director in the Company."*

In this case the SCA follows the analysis and verification procedure provided for at the aforementioned paragraph 1.3.

**2.2.** At the outcome of the analysis referred to in 2.1 two situations may arise:

- either the director accepting this new directorship complies with the Provisions of the CMF: in which case the SCA informs the Chairman of the Board of directors which informs the CGEN. The CGEN ensures that this new directorship complies in particular with the conflicts of interest rules (see Procedure regarding conflicts of interest), with the mandate of director of BNP Paribas;
- either the director by accepting this new directorship does no longer comply with the Provisions of the CMF: in which case the SCA informs the Chairman of the Board of directors which shall report it to the Chairman of the CGEN so that can be examined the measures allowing the candidate to comply with the Provisions of the CMF.

If the director is willing to keep his functions as director of BNP Paribas, either he does not accept the proposed directorship or he resigns from a directorship he already holds. The SCA mentions this in minutes which shall be submitted to the Board of directors.

If the director decides to accept this new directorship without resigning from any directorship he already holds, the director shall then submit his resignation letter from BNP Paribas' directorship. The SCA mentions this in a report to be addressed to the CGEN which acts the resignation of the director, the effective date being decided by the Board of directors.

**2.3.** At least once a year, the SCA requests the directors to update the sheet called "EBA sheet", under which are listed all the directorships held by each director.

This update shall permit the SCA to ensure that any of the members of the Board of directors complies with the provisions of the French CMF on an ongoing basis.

This procedure has been reviewed by the Committee of Governance, Ethics, Nominations and RSE (CGEN) during its June 16, 2016 session and validated by the Board of directors in its June 23, 2016 session.

This procedure shall be reviewed and modified as required by this Committee which shall also propose it to the Board of directors for validation.

# PROCEDURE OF THE BOARD OF DIRECTORS REGARDING CONFLICTS OF INTERESTS

Under the provisions of paragraph 4.3.3 of the Internal Rules of the Board of directors:

*"The Director respects the applicable legal and regulatory provisions regarding conflicts of interests – in particular the so-called "conventions réglementées" regime as well as the procedure of the Board of Directors regarding conflicts of interests.*

*The Director undertakes to avoid, as far as possible, carrying out activities or entering into transactions which could be the source of conflicts of interest or which may, for third parties, appear to be in conflict of interests.*

*In order to allow the Board to ensure the proper implementation of the rules concerning conflicts of interest, the Director shall consult with the Chairman of the Board of Directors about any situation which would be liable to be a conflict of interests.*

*In this case, the Director informs the Chairman of the Board of Directors of his intention to accept a new corporate office, whether in a listed or unlisted entity, French or foreign, not belonging to a group of which he is a manager or any participation in the specialised Committees of a corporate body or any other new Directorship, in such a way that the Board of Directors, on the recommendation of the Corporate Governance, Ethics, Nominations and CSR Committee may decide on the compatibility of such an appointment with the office of Director in the Company."*

Considering paragraphs B.2 and B.3 (articles 12 and 16) of the *Guidelines on Internal Governance* (GL 44) published on 27 September 2011 by the EBA and *Principle 3 of the Guidelines on Corporate governance principles for banks* published in July 2015 by the Basel Committee on Banking Supervision and with the objective to embrace the best practices observed in the governance area, this procedure aims at:

- defining the situations of conflicts of interests to which Directors may be confronted regarding the various activities that the Group conducts and which could be in competition with the interests of the concerned Director, shall it be directly or indirectly;
- providing details, in case such situation of conflict of interests occurs, concerning the necessary measures to be adopted in order to take this situation into account and handle it in an appropriate manner.

It is recalled that all conflicts of interests may question the fact that a Director qualifies as an independent Director.

## I. Cases of conflicts of interests

Besides the so-called "*conventions réglementées*" regime provided for by articles L. 225-38 and subseq. of the "*Code de commerce*", the following situations may give rise to conflicts of interest:

**a)** each agreement entered into directly, or through an intermediary person[1], between a company that BNP Paribas controls within the meaning of article L.233-16 of the "*Code de commerce*" and one of the Directors of BNP Paribas,

**b)** each agreement to which one of the Directors of BNP Paribas is indirectly interested, meaning that without being directly a party to the said agreement entered into by a company that BNP Paribas controls within the meaning of article L.233-16 of the "*Code de commerce*", the Director benefits in a way or another from the agreement,

**c)** each agreement entered into between one of the companies controlled by BNP Paribas within the meaning of article L.233-16 of the "*Code de commerce*" and a company owned by a Director of BNP Paribas or to which such Director is also an owner, general partner, manager, Director, member of the supervisory Board or, generally a senior manager of this company,

**d)** each situation where a Director is or might be, in relation with the exercise of its Directorship, the recipient of privileged information (i) concerning a company in which he is an executive Director within the meaning of c) or in which he exercises a function or holds interests whatever they may be, or (ii) concerning BNP Paribas or one of the companies under its control within the meaning of article L.233-16 of the "*Code de commerce*" which may be of interests concerning the activity of a company in which he is an executive Director within the meaning of c) or in which he exercises a function or holds interests whatever they may be,

**e)** each situation where a Director could take part to a Board meeting to which would be interested any person with whom he has family or professional links, or tight relations,

**f)** the undertaking of a new corporate office, whether in a listed or unlisted entity, French or foreign, not belonging to a group of which he is a manager, or any participation in the specialised Committee of a corporate body or any other new Directorship.

More generally, in accordance with article 4.3.3 of the Internal Rules of the Board of Directors, the Director shall consult with the Chairman of the Board of Directors about any situation which would be liable to be a conflict of interests.

## II. Management of conflicts of interests

### II.1 Situations covered by the *"Conventions réglementées"* regime

The Directors recognise that they have a perfect knowledge of the "*Conventions réglementées*" regime and of the obligations resulting from such regime.

### II.2 Other situations

If one of the situations described in a) to e) of I above occurs, the Director shall immediately inform the Chairman of the Board of Directors, who will inform the CGEN so that, on the basis of the analysis of the presented situation, it may give an opinion which may consist of one or several measures described in the next paragraph. This opinion is then submitted to the Board of Directors and if, followed by the said Board, is notified by the Chairman of the Board, to the concerned Director. The decision of the Board of Directors will be included in the minutes of the meeting.

If one of the situations described in a) to e) of I above occurs during a Board of Directors meeting or one of its Committees, and without prejudice to the application of the preceding paragraph, the Board of Directors or the Committee as the case may be, immediately determines the measures to take, which may take different forms including the fact that the concerned Director would not participate to the debate or to the vote, would not receive the information concerning the point that gives or may give rise to a conflict of interests, or even would have to leave the meeting of the Board or the Committee during the discussion of the concerned issue. The minutes of the Board or the Committee includes the measures adopted.

If the situation described in f) of I above occurs, the process described in paragraph 4.3.3 of the Internal Rules of the Board of Directors will be followed. If needed, the provisions of II of the procedure of the Board of Directors regarding the limitation of Directorships will be applied *mutatis mutandis*.

In any case, if the Board of Directors considers that the concerned Director is not in the position to ensure its mission anymore given the conflict of interests at stake, such Director shall quit its functions.

This procedure has been examined by the Corporate Governance, Ethics, Nominations and CSR Committee (CGEN) during its meeting on 19 September 2016 and approved by the Board of Directors on 21 September 2016. This procedure will be re-examined and modified as needed by the same Committee, who shall propose it for approval to the Board.

(1) *The interposition of an intermediary corresponds to a situation in which the Director is the ultimate real beneficiary of the agreement between one of the companies that BNP Paribas controls and the co-contracting party of that controlled company.*

## PROCEDURE OF THE BOARD OF DIRECTORS REGARDING THE IDENTIFICATION OF, THE SELECTION OF AND THE SUCCESSION PLAN FOR THE DIRECTORS

Pursuant to Paragraph 9.3 "*Missions concerning the selection of the Directors, members of the Committees and the non-voting Directors (censeurs)*" of the internal Rules of the board of Directors, the Corporate Governance, Ethics, Nominations and CSR Committee:

*"… identifies and recommends to the Board of Directors candidates suitable for the office of Director, with a view to proposing their candidacy to the General Meeting. This selection is made in accordance with the internal procedure for selection and succession of members of the Board of Directors.*

*It specifies the missions and the qualifications necessary for the duties to be carried out within the Board of Directors and calculates the time to be devoted to such duties. In the determination of the potential candidates, the Committee assesses the balance of skills, experience, diversity, as well as the integrity and the capacity of understanding of the stakes and of the risks, both personal and collective, of the members of the Board. It ensures, furthermore, that the candidates are able to act objectively, critically and independently, notably with respect to other Directorships they hold, that they have the courage necessary to express their thoughts and their judgements, sufficient availability to have a strong commitment in their duties and the objectivity indispensable for their Directorship and, lastly, the desire to protect the interests the Company and ensure its proper running.*

*It sets an objective to achieve with respect to the balanced representation of women and men on the Board of Directors. It draws up a policy aimed at achieving this objective.*

*The candidate chosen is received by the Chairman of the Committee and the Chairman of the Board. The Committee decides upon the submission of the candidacy to the Board in order, if the Board decides so, to propose such candidacy to the General Meeting.*

*It proposes the appointment of non-voting Directors to the Board of Directors.*

*It is also responsible for examining provisions allowing for the succession of the Directors to be prepared.*

*In cooperation with the Chairman of the relevant Committee, it makes recommendations to the Board of Directors on the appointment of the members and the Chairmen of the Committees when they are to be renewed."*

The aim of this procedure is to specify and detail the implementation process of the above mentioned provisions of the Internal Rules.

### I. Identification of the persons that are likely to be appointed as Directors

The CGEN is tasked with the identification of the persons that are likely to be appointed as Directors, to establish and to maintain at all times a list of these persons which will be periodically monitored, without precisely determining circumstances requiring proposition of such candidacy to the Board.

**1.1.** For this purpose, the CGEN:

- On one hand, mandates, if it wishes so, one or several specialised agencies in research of independent Directors with the meaning of provisions provided in the Afep-Medef Code, this or these specialised agencies being selected further to a tender organised in coordination with the Secretary of the Board of Directors ("SCA"),
- On the other hand gathering inputs on this from other board members.

**1.2.** Identification of these persons shall be made in light of (i) the EBA Guidelines on the assessment of the suitability of members of the management body and key function holders dated 22 November 2012 (EBA/GL/2012/06) or any other EBA guidelines that may replace it, (ii) BNP Paribas objectives and policy with respect to the balanced representation of women and men on the Board of Directors, (iii) rules regarding the number of Directorships (*Procedure of the Board of Directors regarding the number of Directorships*), (iv) conflict of interests (*Procedure of the Board of Directors regarding conflict of interests*) and (v) any other legal or regulatory applicable provision.

**1.3.** Upon receipt of a proposal, the CGEN conducts a careful examination of the following criteria based on both personal and collective skills:

- knowledge and competence in requested areas, based on experience and ability to understand the issues and risks of key activities for the Bank, enabling Directors to make informed and effective decisions,
- courage, in particular to express opinions and make judgements, enabling Directors to remain objective and independent,
- availability, i.e. the sufficient time the dedicated to the Directorship and the related training, and assiduity, which allow for the necessary detachment and promote Directors' commitment and sense of responsibility regarding the exercise of their Directorship,
- loyalty, which fosters Directors' commitment to the company and to their duties within the Board, which collectively represents the shareholders,
- Directors' proper understanding of the company's culture and ethics,
- good repute and propriety: a person should not be considered of good repute and meeting the propriety criterion if his or her personal or business conduct gives rise to any material doubt about his or her ability to ensure his or her Directorship as independent Director.

**1.4.** The CGEN clarifies the reasons of its proposal.

**1.5.** The CGEN ensures the regular updating of the list of persons that are likely to be selected.

**1.6.** Once a year, the CGEN reports to the Board the work performed in order to identify the persons that are likely to be appointed Directors so that the Board can deliberate on it.

### II. Selection by the Board of Directors of the persons likely to become members of the Board

**2.1.** When the Board has to decide the appointment of a new Director, the CGEN shall communicate to the Chairman of the Board the name of the person likely to be appointed setting out the reasons of its proposal.

**2.2.** The Chairman of the Board of Directors contacts the relevant person and, in the case of an agreement with this person, asked the SCA to review the situation of the person in accordance with the provisions provided in paragraphs 1.2 and 1.3 above.

**2.3.** If such a review is deemed to be satisfactory, the CGEN can then propose to the Board of Directors to adopt the proposal for the submission of the candidacy.

### III. Review of the composition of the Board

Once a year, the SCA, under the responsibility of the CGEN, reviews the composition of the Board of Directors in accordance with the propositions provided in paragraphs 1.2 and 1.3 above. The CGEN presents to the Board of Directors the outcome of such review, which is subject to Board's deliberation.

This procedure has been reviewed by the Committee of Governance, Ethics, Nominations and RSE (CGEN) during its September 19, 2016 session and validated by the Board of Directors in its September 21, 2016 session. This procedure shall be reviewed and modified as required by this Committee which shall also propose it to the Board of Directors for validation.



## 2.1.3 REMUNERATION

### REMUNERATION AND BENEFITS AWARDED TO THE GROUP'S CORPORATE OFFICERS

#### Remuneration policy for executive corporate officers put to the shareholders' vote, in accordance with article L.225-37-2 of the French Commercial Code, at the Annual General Meeting on 24 May 2018

In this report, the Board of Directors provide details of the fixed, variable and extraordinary components of total remuneration and benefits of any kind, attributable to the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer for their corporate offices within BNP Paribas SA.

The elements of the remuneration policy presented below are the subject of resolutions submitted for the approval of the Shareholders' Annual General Meeting voting under the quorum and majority conditions required for Ordinary Annual General Meetings.

With regard to the Chief Executive Officer and the Chief Operating Officer, payment of the variable components of their remuneration for the previous year will be subject to approval by the Ordinary Annual General Meeting of the components of remuneration of the corporate officer in question under the conditions provided for by article L.225-100 of the French Commercial Code. This provision is applicable for the first time for variable and extraordinary components of remuneration paid or awarded for 2017. This does not affect the Chairman of the Board of Directors since he does not receive any variable remuneration.

The remuneration policy for the executive corporate officers complies with applicable legislation, the Afep-Medef Corporate Governance Code and the BNP Paribas Responsibility Charter. The remuneration paid to the executive corporate officers is determined by the Board of Directors and is based on the proposals of the Remuneration Committee. This committee is comprised of three independent Directors and one Director representing the employees.

The definition of the terms of remuneration paid to the corporate officers takes into account the following purposes:

- alignment with the Bank's social interest and with that of its shareholders:
  - consistency with a medium to long-term outlook, especially in terms of the growth of the Bank's value, good risk management and the relative performance of its share,
  - integration of extra-financial assessment criteria, notably by taking the CSR dimension into account in the qualitative criteria contributing to the determination of remuneration,
  - guarantee of sufficient variability in the amounts allocated to reflect changes in the Bank's progress without weighing too heavily on fixed expenses;
- transparency of remuneration:
  - thoroughness: all components (fixed, annual variable, multi-annual variable) are used in the overall assessment of the remuneration,
  - balance between the components of remuneration, which must contribute to the general interest of the Bank and reflect best market practices and legal and regulatory constraints,
  - intelligibility of stable and strict rules;
- attractiveness, in order to select with rigour the profiles recognised as particularly competent in the fields of the Group's activity.

## I Remuneration of the Chairman of the Board of Directors

The Chairman does not receive any annual or multi-annual variable remuneration.

The Chairman's fixed remuneration amounts to EUR 950,000 gross.

The absence of variable remuneration reflects the independence of the Chairman with respect to the Executive Management.

Should a new Chairman be appointed, on the proposal of the Remuneration Committee, the Board of Directors will set the fixed remuneration in line with the new Chairman's profile and experience.

## II Remuneration of Executive Management

Remuneration includes:

- a fixed component;
- an annual variable component; and
- a conditional long-term incentive plan (LTIP), which forms the multi-annual variable component.

The levels of these different components are determined using market benchmarks based on surveys of executive remuneration.

Remuneration takes into account the cap on total variable remuneration in relation to fixed remuneration (including awards under long-term incentive plans) in accordance with article L.511-78 of the French Monetary and Financial Code, applicable specifically to credit institutions.

In accordance with paragraph 2 of said article, the BNP Paribas SA Shareholders' Annual General Meeting on 13 May 2015 decided that this cap would be set at twice the fixed remuneration amount; this decision will be put to the vote again at the Shareholders' Annual General Meeting on 24 May 2018.

For the purposes of calculating the aforementioned ratio, a discount rate may in addition be applied to no more than 25% of the total variable remuneration inasmuch as the payment is made in the form of instruments deferred for at least 5 years, in accordance with article L.511-79 of the French Monetary and Financial Code.

### *1. Fixed salary*

The Chief Executive Officer's annual fixed remuneration is set at EUR 1,562,000 gross.

The Chief Operating Officer's annual fixed remuneration amounted to EUR 1,000,000 gross.

Should a new Chief Executive or a new Chief Operating Officer be appointed, on the proposal of the Remuneration Committee, the Board of Directors will set their fixed remuneration according to their profiles and experience. Annual and multi-annual variable remuneration components will be set in line with the principles appearing in this report.

### *2. Annual variable remuneration*

The variable component is intended to reflect the effective contribution of executive corporate officers to the success of BNP Paribas in respect of their functions as executive managers of an international financial services group.

#### *General principles*

The variable remuneration of members of the Executive Management is determined from a target remuneration equal to 100% of their annual fixed remuneration for the Chief Executive Officer and the Chief Operating Officer.

It varies in accordance with criteria representative of the Group's results and the qualitative assessment by the Board of Directors.

Yearly variable remuneration includes "malus" and "clawback" arrangement, as well as a cancellation clause in the event of a bank resolution measure, in accordance with the same terms and conditions as those described below for the LTIP (see 3 below).

#### Group performance criteria (quantitative)

Criteria linked to the performance of the Group apply:

- to 75% of target variable remuneration; and
- enable the calculation of the corresponding portion of the remuneration in a manner proportional to numerical indicators.

If objectives based on quantitative criteria are exceeded (or not achieved), the fraction of the target remuneration in question changes proportionally within the limits of the cap mentioned below.

The quantitative criteria apply to the Group's overall performance, based on two criteria that are given equal weighting:

- ratio of net earnings per share for the year to net earnings per share for the previous year (37.5% of target variable remuneration);
- percentage achievement of the Group's budgeted gross operating income (37.5% of the target variable remuneration).

#### Personal criteria (qualitative)

The variable portion of remuneration linked to qualitative assessment by the Board of Directors is capped at 25% of the target variable remuneration.

The performance of this qualitative assessment by the Board of Directors is considered essential, especially in view of the reinforcement of its responsibilities for monitoring and control provided by the French Monetary and Financial Code since 2014 (thereby implementing CRD 4). In addition to the Bank's strategy, which it must approve, the Board of Directors must also assess the performance of Executive Management based on their capacities for anticipation, decision-making, leadership and exemplary behaviour.

The Board assesses the qualitative aspect of annual variable remuneration, looking at implementation of the strategic guidelines of the Bank, in particular its transformation plan and its human, organisational, technical and CSR dimensions in the general context of the year under consideration.

## SUMMARY OF CRITERIA FOR SETTING ANNUAL VARIABLE REMUNERATION

| Criteria applicable | % of fixed remuneration | Chief Executive Officer<br>Chief Operating Officer |
|---|---|---|
| QUANTITATIVE<br>Group performance-related criteria | 37.50% | ■ Change in earnings per share |
| | 37.50% | ■ Achievement of target gross operating income |
| QUALITATIVE<br>Personal criteria | 25.00% | ■ Assessment with regard to implementation of the Bank's strategic guidelines, particularly the human, organisational and technical dimensions of its transformation plan, as well as CSR, in the general context of the year under consideration. |

### Ceiling

The Board of Directors ensures that annual variable remuneration is in line with the Group's results.

In any event, the amount of annual variable remuneration awarded to each of the corporate officers is capped at 120% of their fixed remuneration.

### Terms and conditions of payment

The payment terms for variable remuneration of BNP Paribas Group executive corporate officers, in accordance with the provisions of the French Monetary and Financial Code and the European Banking Authority's guidelines on remuneration policy are:

- 60% of annual variable remuneration is deferred over five years, at the rate of one-fifth per year;
- regarding the non-deferred portion of the variable remuneration:
  - half will be paid in cash in May of the year of the award, subject to the approval of the Shareholders' Annual General Meeting under the terms provided for by article L.225-100 of the French Commercial Code; and less Directors' fees received within the Group for entities other than BNP Paribas SA,
  - and half will be paid in cash, indexed to BNP Paribas share performance, at the end of a one-year holding period starting on the award date (award date is the date of the Board of Directors), or in March of the year following the year in which the remuneration is awarded;
- the deferred portion of the variable remuneration will be paid on an annual basis in five instalments over five years, the first instalment only being paid at the end of a deferred period of one year from the award date of the variable remuneration, provided that the Group's ROE before tax for the year preceding the payment is greater than 5%. Each instalment will be paid:
  - half in cash in March every year,
  - and half in cash, indexed to BNP Paribas share performance, in March of the following year, at the end of a one-year holding period.

### *3. Conditional Long-Term Incentive Plan (LTIP) covering a five-year period*

To align the interests of executive corporate officers with the medium to long-term performance of the BNP Paribas Group without compromising risk management, in 2011, the Board introduced a conditional long-term incentive plan over five years (LTIP).

The LTIP, which amounts to the target annual variable remuneration awarded in respect of the previous year, is split into two equal parts: one to reward an increase in the intrinsic value of the share, and the other potential outperformance relative to peers.

### First half of the award amount: intrinsic share performance

The first half of the award amount is dependent on the change in share price [(1)] given that no payment will be made for 50% of the award amount if the BNP Paribas share price does not increase by at least 5% from the date of the award by the Board of Directors to the end of a five-year period from the award date.

If the share price increases by at least 5% during this period, a factor is applied to the initial amount, resulting in the amount being increased or reduced, in line with the table below.

| Change in the BNP Paribas share price over 5 years | Factor applied to the first half of the award |
|---|---|
| Strictly under 5% | 0 (No payment) |
| Equal to or higher than 5% and under 10% | 40% |
| Equal to or higher than 10% and under 20% | 80% |
| Equal to or higher than 20% and under 33% | 120% |
| Equal to or higher than 33% and under 50% | 130% |
| Equal to or higher than 50% and under 75% | 150% |
| Equal or higher than 75% | 175% |

*(1) The initial and final amounts used to measure the performance of the share price over five years are as follows:*

- *the initial amount is the average of the opening price of the BNP Paribas share in the rolling 12-month period preceding the award date;*
- *the final amount is the average of the opening price of the BNP Paribas share in the rolling 12-month period preceding the payment date.*

Thus, the first half of the award amount will only be paid in full at the end of the five-year period if the share price increases by more than 20% in the five years. The first half of the award will, in any event, always be less than or equal to the change in the share price and cannot, under any circumstances, exceed 175% of the award amount, assuming that the share price has increased by more than 75% at the end of the five-year period.

#### Second half of the award: outperformance of the BNP Paribas share relative to peers

Fulfilment of this condition is assessed by measuring the performance of the BNP Paribas share price relative to the "DJ EURO STOXX Banks" index of main euro zone banks.

It only takes into account outperformance of the BNP Paribas share relative to the average index measured over the 12 months prior to the award date, compared with the average for this same index for a period of 12 months prior to payment. The second half of the target amount under the LTIP will only be paid in full if the share price outperforms the index by at least 10%.

| Relative performance of the BNP Paribas share in relation to the performance of the EURO STOXX Banks index | Effect on the second half of the award amount |
|---|---|
| Lower or equal | 100% reduction |
| Higher by 5 points or equal | 50% reduction |
| 5 to 10 points included higher | 20% reduction |
| 10 points higher | Full rate |

The amount determined by applying each of the conditions over the plan's five-year period is the remuneration paid under the LTIP.

#### Ceiling

According to the provisions of article L.511-78 of the French Monetary and Financial Code relating to the cap on the variable component as a percentage of the fixed component, total variable remuneration awarded, including amounts awarded under the LTIP, may not be more than twice the fixed remuneration, in accordance with the decision of the Shareholders' Annual General Meeting on 13 May 2015. The Annual General Meeting of 24 May 2018 will be asked to renew this ceiling.

To calculate the ratio, a discount rate may in addition be applied to no more than 25% of the total variable remuneration inasmuch as the payment is made in the form of instruments deferred for at least five years.

#### Payment of LTIP

In application of the factor mentioned above, in line with the change in the BNP Paribas share price, the first half of the LTIP award may not exceed 175% of the initial award amount. Payment of the second half of the award may not, under any circumstances, exceed the total award amount.

Thus, payments under the LTIP may not exceed 137.5% of their award value.

#### Continued employment requirement

LTIP rules require continued employment throughout the entire duration of the plan. Departure from the Group would result in the LTIP not being paid. Nonetheless, in the event of retirement or death after the end of the first year of the plan, payments would be made provided that performance conditions are met and subject to assessment by the Board of Directors.

#### Malus and Claw-back clauses

The LTIP provides for "malus" and "claw-back" arrangements. Accordingly, should the beneficiary adopt a behaviour or perform acts which do not comply with BNP Paribas' requirements as defined, in particular, by compliance with the code of conduct, applicable Internal Rules and regulations, assessment and management of risks applicable to Group employees, the Board of Directors may decide not only not to proceed with the payment of the set amount whether the employee still works for the Company or not, but may also request reimbursement for all or part of the sums paid under previous plans over the past five years.

Moreover, this rule provides that in the event of the implementation of a bank resolution measure under the French Monetary and Financial Code, the LTIP rights shall be definitively cancelled.

The Board of Directors reserves the right to reduce awards under the LTIP.

### III. Extraordinary remuneration

No extraordinary remuneration may be paid to the Chairman of the Board of Directors, the Chief Executive Officer or the Chief Operating Officer.

### IV Benefits in kind

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers have a company car and a mobile phone.

### V Stock option or share purchase subscription plans

The Group's corporate officers do not benefit from any stock option or share purchase subscription plans.

### VI Performance shares

The Group's corporate officers do not benefit from any performance or free shares.

## VII Post-employment benefits

### 1. *Payments and benefits due or likely to become due upon termination or change of duties*

Executive corporate officers do not receive any contractual remuneration for termination of their term of office.

### 2. *Post-employment benefits*

The Chairman of the Board of Directors and the Chief Executive Officer do not receive post-employment benefits in the event of retirement.

The Chief Operating Officer is entitled to the standard retirement benefits awarded to all BNP Paribas SA employees pursuant to his initial employment contract.

### 3. *Top-up pension plan*

Executive corporate officers do not receive supplemental defined-benefit pension plans.

They only benefit from the defined-contribution top-up pension plan (article 83 of the French General Tax Code) set up for all BNP Paribas SA employees.

### 4. *Welfare benefit plans*

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer are entitled to the same flexible welfare benefits (death and disability cover, as well as the common healthcare benefit scheme) as all BNP Paribas SA employees and corporate officers.

They also receive death and disability insurance, which covers all employees of BNP Paribas SA.

The Chief Executive Officer and the Chief Operating Officer are also entitled to the supplementary plan set up for members of the Group's Executive Committee, which pays out additional capital of EUR 1.10 million in the event of work-related death or total and permanent disability. The employer contribution under this scheme is recognised as a benefit in kind.

### 5. *Non-compete agreement*

Please note, for information purposes, that the Chief Executive Officer signed a non-compete agreement with BNP Paribas SA on 25 February 2016. This agreement was approved by the Annual General Meeting of 26 May 2016 pursuant to the provisions of article L.225-38 of the French Commercial Code.

Under this agreement, if he ceases to hold any role or position in BNP Paribas, Mr. Jean-Laurent Bonnafé undertakes, for a period of 12 months, not to take any role whatsoever, either directly or indirectly, for a credit institution, investment or insurance firm whose securities are traded on a regulated market in France or abroad, or in France for a credit institution, investment or insurance firm whose securities are not traded on a regulated market.

Under this agreement, the Chief Executive Officer will receive a payment equal to 1.2 times the total of his fixed and variable remuneration (excluding multi-annual variable remuneration) received during the year prior to his departure. One-twelfth of the indemnity would be paid each month.

The provisions of the non-compete agreement are consistent with the recommendations of the Afep-Medef Code.

## VIII Loans, advances and guarantees granted to the Group's executive corporate officers

BNP Paribas corporate officers and their spouses may be granted loans.

These loans, representing normal transactions, are granted on an arm's length basis.

# Remuneration of executive corporate officers paid or awarded for 2017, in accordance with the remuneration policy approved by the Annual General Meeting on 23 May 2017

The information below shows gross remuneration amounts awarded, before tax and social security deductions.

## I Remuneration of the Chairman of the Board of Directors

In accordance with the remuneration policy, the fixed remuneration paid to Jean Lemierre in his capacity as Chairman amounted to EUR 950,000 in 2017.

The Chairman's remuneration is unchanged from 2016.

## II Remuneration of Executive Management

### 1 *Fixed remuneration*

| *In euros* | Fixed remuneration paid in 2017 | Comments |
|---|---|---|
| Jean-Laurent BONNAFÉ | 1,562,000 | Most recent increase in fixed remuneration dated 25 February 2016 effective as of 1 January 2016 |
| Philippe BORDENAVE | 1,000,000 | Most recent increase in fixed remuneration dated 25 February 2016 effective as of 1 January 2016 |

### 2. *Annual variable remuneration*

#### Assessment of the achievement of the targets set for 2017

At its meeting of 5 February 2018, the Board of Directors assessed the achievement of the objectives set in accordance with the remuneration policy.

*Group performance criteria (quantitative)*

The Board of Directors reviewed the achievement of the quantitative portion of the annual variable remuneration in terms of the criteria provided for in the remuneration policy.

As regards the criterion of ratio of net earnings per share to net earnings per share for the previous year, its measure was equal to 37.81% of the target variable remuneration for 2017.

As regards the criterion of achievement of the Group's budgeted gross operating income, its measure was equal to 38.13% of the target variable remuneration for 2017.

*Personal criteria (qualitative)*

The Board of Directors assessed the quantitative portion of the annual variable remuneration in terms of the application of the criteria provided for in the remuneration policy.

For 2017, the Board determined that Jean-Laurent Bonnafé had principally achieved the following:

- decisive role in managing the Bank and customer relations;
- launch of an ambitious strategic plan intended to speed up the Company's human, organisational and technological transformation, with the first practical results being seen in the area of mobile platform and application launches or partnerships signed;
- ongoing promotion of the code of conduct by strengthening governance, risk identification, deployment of controls and tools, employee empowerment and HR and managerial processes;
- creation of the Commitment Department:
  - with increased focus on CSR-related issues such as climate and health, termination of relations with operators whose main business relates to shale gas or oil and/or oil extracted from oil sands, commitment to neutralise CO2 emissions linked to the Company's operation,
  - considerable personal involvement in societal issues relating to youth, diversity or inclusion;

and for Philippe Bordenave, in line with the outcomes assessed for Jean-Laurent Bonnafé:

- the implementation of the 2017-2020 Development and Transformation Plan, especially the financial, cost control and technological innovation aspects;
- the deployment of regulatory reform-related systems;
- fulfilment of the commitments of Group CSR Policy;
- the active involvement in issues relating to improving the Group's information systems.

*Summary*

After taking into account both quantitative and qualitative criteria, and evolution of the Group's operating results, the Board of Directors, on the proposal of the Remuneration Committee, set the variable remuneration awarded in respect of 2017 at:

- EUR 1,576,758 for Jean-Laurent Bonnafé (representing 101% of his target variable remuneration);
- EUR 1,009,448 for Philippe Bordenave (representing 101% of his target variable remuneration).

The result in respect of each criterion is set out in the following table:

| *In euros* | | Qualitative criteria | Quantitative criteria BNPA[2] Group | Quantitative criteria RBE[3] Group | Variable remuneration set by the Board | Reminder of target variable remuneration |
|---|---|---|---|---|---|---|
| Jean-Laurent BONNAFÉ | Weighting[1] | 25.00% | 37.50% | 37.50% | | |
| | Measurement[1] | 25.00% | 37.81% | 38.13% | **1,576,758** | 1,562,000 |
| Philippe BORDENAVE | Weighting[1] | 25.00% | 37.50% | 37.50% | | |
| | Measurement[1] | 25.00% | 37.81% | 38.13% | **1,009,448** | 1,000,000 |

*(1) As a percentage of target variable remuneration.*
*(2) Ratio of earnings per share (EPS) for the year to earnings per share for the previous year.*
*(3) Percentage achievement of target gross operating income.*

### Terms and conditions of payment

**a)** *The payment terms for variable remuneration of BNP Paribas Group executive corporate officers in respect of 2017, in accordance with the provisions of the French Monetary and Financial Code and the European Banking Authority's December 2015 guidelines on remuneration policy are:*

- 60% of variable remuneration is deferred over five years, at the rate of one-fifth per year;
- half of the non-deferred portion of the variable remuneration is paid in May 2018, subject to the approval of the Shareholders' Annual General Meeting under the terms provided for by article L.225-100 of the French Commercial Code, less Directors' fees received within the Group in 2017 for entities other than BNP Paribas SA; and half in March 2019, indexed to the performance of the BNP Paribas share;
- the deferred portion of the variable remuneration will be paid in fifths starting in 2019. Each payment will be made half in March every year, and half in March of the following year, indexed to the performance of the BNP Paribas share. The last payment in respect of 2017 will be made in March 2024.

**b)** *In addition, the annual payment of the deferred variable remuneration is subject to the condition that the ROE before tax of the Group for the year preceding the payment is greater than 5%.*

The Board found that this performance condition was met in 2017; accordingly, deferred remuneration payable in 2018 in respect of previous plans will be paid out.

## *3. Conditional Long-Term Incentive Plan (LTIP) covering a five-year period*

### LTIP amounts awarded in 2018

In accordance with the remuneration policy and on the proposal of the Remuneration Committee, the Board of Directors set the LTIP amounts to be awarded in 2018.

The amount awarded under the LTIP is equal to the target annual variable remuneration for 2017.

| LTIP awarded on 5 February 2018 *(amounts in euros)* | Total awarded(*) | Fair value of the amount awarded(**) |
|---|---|---|
| Jean-Laurent BONNAFÉ | 1,562,000 | 479,065 |
| Philippe BORDENAVE | 1,000,000 | 306,700 |

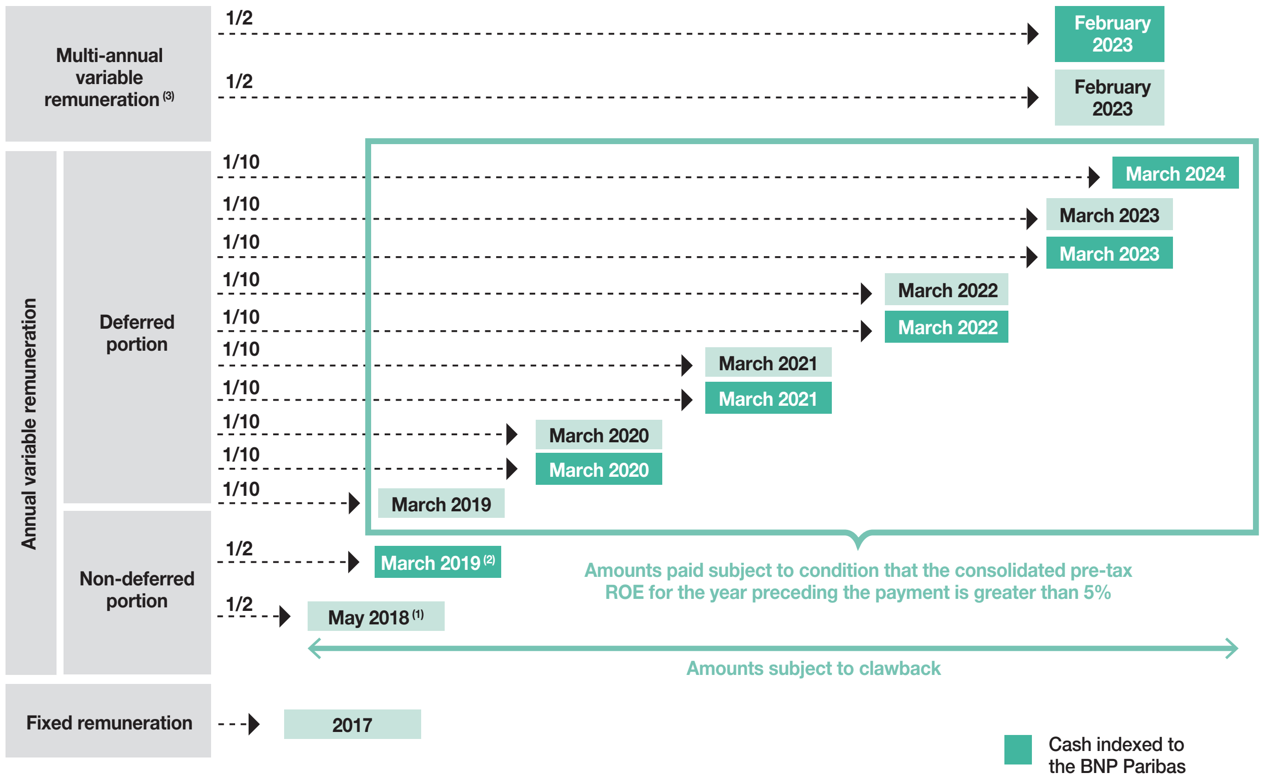
*(*) See explanation above.*
*(**) Fair value in accordance with IFRS of 30.67% of the amount awarded. The calculation is carried out by an independent expert.*

## *4. Summary of the remuneration of sitting executive corporate officers in place as at 31 December 2017*

The cap on total variable remuneration provided for by article L.511-78 of the French Monetary and Financial Code was not exceeded. Pursuant to article L.511-79 of the French Monetary and Financial Code, a discount rate may in addition be applied to no more than 25% of total variable remuneration inasmuch as the payment is made in the form of instruments deferred for at least 5 years.

After applying the discount rate to the variable remuneration amounts awarded in the form of instruments deferred for five years (55.81% in accordance with applicable regulations (EBA guidelines on application of the notional discount rate for variable remunerations, published on 27 March 2014), the ratio between total variable remuneration and fixed remuneration is 1.79 for the Chief Executive Officer and the Chief Operating Officer for 2017.

Breakdown over time of payment of remuneration in respect of 2017




(1) Award in March 2018 and payment deferred until May 2018 subject to the approval of the Shareholders' Annual General Meeting under the terms provided for by article L.225-100 of the French Commercial Code.
(2) Payment at the end of a one-year holding period starting on the date of the annual variable remuneration award.
(3) The LTIP is a 5-year plan, payment will be made at the end of the five-year period.

Total remuneration awarded in respect of 2017 and comparison with 2016

| *In euros* | Jean-Laurent BONNAFÉ | | Philippe BORDENAVE | |
|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 |
| Fixed remuneration amount | 1,562,000 | 1,562,000 | 1,000,000 | 1,000,000 |
| Annual variable remuneration awarded | 1,651,000 | 1,576,758 | 1,057,000 | 1,009,448 |
| **Sub-total** | **3,213,000** | **3,138,758** | **2,057,000** | **2,009,448** |
| LTIP amount (fair value)(*) | 775,767 | 479,065 | 496,650 | 306,700 |
| **TOTAL** | **3,988,767** | **3,617,823** | **2,553,650** | **2,316,148** |

*(*) This is an estimated value on the award date. The final amount will be known on the date of payment.*

## III Top-up pension plan

Jean Lemierre, Jean-Laurent Bonnafé and Philippe Bordenave are not covered by any defined-benefit top-up pension plans.

The executive corporate officers benefit solely from the defined-contribution top-up pension plan set up for all BNP Paribas SA employees, in accordance with article 83 of the French General Tax Code. The amount of contributions paid by the Company in 2017 was EUR 431 per beneficiary for the whole year.

## IV Welfare benefit plans

The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officer are entitled to the same flexible welfare benefits (death and disability cover, as well as the common healthcare benefit scheme) as all BNP Paribas SA employees and corporate officers.

They also receive death and disability insurance, which covers all employees of BNP Paribas SA.

The total amount of contributions paid by BNP Paribas for welfare benefit plans and health cover amounted to EUR 3,180 per beneficiary for the full year.

The Chief Executive Officer and the Chief Operating Officer are also entitled to the supplementary plan set up for members of the Group's Executive Committee, which pays out additional capital of EUR 1.10 million in the event of work-related death or total and permanent disability. The employer contribution under this scheme is recognised as a benefit in kind.

BNP Paribas SA's annual employer contribution was EUR 1,460 per beneficiary for 2017.

## V Holding of shares resulting from the exercise of stock options

The Board of Directors has decided that the minimum number of shares that Jean Lemierre, Jean-Laurent Bonnafé and Philippe Bordenave shall be required to hold for the duration of their terms of office shall be 10,000, 80,000 and 30,000 shares, respectively. The three interested parties have complied with this obligation, through the direct ownership of shares or units in the Company Savings Plan fully invested in BNP Paribas shares.

## VI Quantitative information on the remuneration of executive corporate officers

The table below shows the gross remuneration awarded in respect of the year, including Directors' fees and benefits in kind, for each executive corporate officer.

### SUMMARY TABLE OF THE REMUNERATION AWARDED TO EACH EXECUTIVE CORPORATE OFFICER

| | | 2016 | 2017 |
|---|---|---|---|
| *In euros* | | Total awarded | Total awarded |
| **Jean LEMIERRE Chairman of the Board of Directors** | Fixed remuneration | 950,000 | 950,000 |
| | Annual variable remuneration | None | None |
| | Multi-annual variable remuneration | None | None |
| | Value of stock options granted during the year | None | None |
| | Value of performance shares awarded during the year | None | None |
| | **Sub-total** | **950,000** | **950,000** |
| | Extraordinary remuneration | None | None |
| | Directors' fees | 58,406 | 62,344 |
| | Benefits in kind(2) | 3,632 | 3,632 |
| | **TOTAL** | **1,012,038** | **1,015,976** |
| **Jean-Laurent BONNAFÉ Chief Executive Officer** | Fixed remuneration | 1,562,000 | 1,562,000 |
| | Annual variable remuneration | 1,651,000 | 1,576,758 |
| | Multi-annual variable remuneration(1) | 775,767 | 479,065 |
| | Value of stock options granted during the year | None | None |
| | Value of performance shares awarded during the year | None | None |
| | **Sub-total** | **3,988,767** | **3,617,823** |
| | Extraordinary remuneration | None | None |
| | Directors' fees | 58,406 | 62,344 |
| | Benefits in kind(2) | 4,626 | 6,127 |
| | **TOTAL** | **4,051,799** | **3,686,294** |
| **Philippe BORDENAVE Chief Operating Officer** | Fixed remuneration | 1,000,000 | 1,000,000 |
| | Annual variable remuneration | 1,057,000 | 1,009,448 |
| | Multi-annual variable remuneration(1) | 496,650 | 306,700 |
| | Value of stock options granted during the year | None | None |
| | Value of performance shares awarded during the year | None | None |
| | **Sub-total** | **2,553,650** | **2,316,148** |
| | Extraordinary remuneration | None | None |
| | Directors' fees | None | None |
| | Benefits in kind(2) | 5,308 | 3,953 |
| | **TOTAL** | **2,558,958** | **2,320,101** |

*(1) Value of amount awarded subject to performance conditions.*

*(2) The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers have a company car and a mobile phone. The Chief Executive Officer and Chief Operating Officer receive Executive Committee professional life insurance, for which the Company's contribution is recognised as a benefit in kind.*

The two tables below show the gross remuneration **paid in 2017**, including Directors' fees and benefits in kind for each corporate officer.

### ➤ SUMMARY TABLE OF THE REMUNERATION PAID TO EACH EXECUTIVE CORPORATE OFFICER

| *In euros* | | 2016 Total paid | 2017 Total paid |
|---|---|---|---|
| **Jean LEMIERRE Chairman of the Board of Directors** | Fixed remuneration | 950,000 | 950,000 |
| | Annual variable remuneration | None | None |
| | Multi-annual variable remuneration | None | None |
| | Extraordinary remuneration | None | None |
| | Directors' fees | 58,406 | 62,344 |
| | Benefits in kind(1) | 3,632 | 3,632 |
| | **TOTAL** | **1,012,038** | **1,015,976** |
| **Jean-Laurent BONNAFÉ Chief Executive Officer** | Fixed remuneration | 1,562,000 | 1,562,000 |
| | Annual variable remuneration | 1,653,190 | 1,468,378 |
| | *of which annual variable remuneration in respect of 2016* | *None* | *330,200* |
| | *of which annual variable remuneration in respect of 2015* | *803,649* | *509,857* |
| | *of which annual variable remuneration in respect of 2014* | *226,711* | *282,460* |
| | *of which annual variable remuneration in respect of 2013* | *281,302* | *345,861* |
| | *of which annual variable remuneration in respect of 2012* | *341,528* | *None* |
| | Multi-annual variable remuneration | 0(2) | 1,354,585(3) |
| | Extraordinary remuneration | None | None |
| | Directors' fees | 58,406 | 62,344 |
| | Benefits in kind(1) | 4,626 | 6,127 |
| | **TOTAL** | **3,278,222** | **4,453,434** |
| **Philippe BORDENAVE Chief Operating Officer** | Fixed remuneration | 1,000,000 | 1,000,000 |
| | Annual variable remuneration | 931,859 | 837,128 |
| | *of which annual variable remuneration in respect of 2016* | *None* | *211,400* |
| | *of which annual variable remuneration in respect of 2015* | *515,178* | *326,783* |
| | *of which annual variable remuneration in respect of 2014* | *97,594* | *121,591* |
| | *of which annual variable remuneration in respect of 2013* | *144,196* | *177,354* |
| | *of which annual variable remuneration in respect of 2012* | *174,891* | *None* |
| | Multi-annual variable remuneration | 0(2) | 842,194(3) |
| | Extraordinary remuneration | None | None |
| | Directors' fees | None | None |
| | Benefits in kind(1) | 5,308 | 3,953 |
| | **TOTAL** | **1,937,167** | **2,683,275** |

*(1) The Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers have a company car and a mobile phone. The Chief Executive Officer and Chief Operating Officer receive Executive Committee professional life insurance, for which the Company's contribution is recognised as a benefit in kind.*

*(2) The performance conditions relating to the plan awarded in 2011 were not met.*

*(3) Application of the performance conditions attached to the LTIP awarded in 2012 led to a payment in 2017, for both Jean-Laurent BONNAFÉ and Philippe BORDENAVE, corresponding to 117% of the total awarded.*
*As a reminder the amount awarded is subject to the application of two cumulative performance conditions over a period of five years from the date of grant. Thus, the relative performance condition (evolution of the value of the BNP Paribas share compared to that of the Euro Stoxx Banks) led to 90% of the amount allocated being maintained. The application of the performance condition related to the evolution of the value of the BNP Paribas led to the application of a 130% enhancement coefficient, applied to 90% of the amount allocated.*

## SUMMARY OF REMUNERATION IN RESPECT OF THEIR PREVIOUS PAID EMPLOYMENT[1]

| *In euros* | | 2016 Total paid | 2017 Total paid |
|---|---|---|---|
| **Jean LEMIERRE Chairman of the Board of Directors** | Fixed remuneration | None | None |
| | Annual variable remuneration | 45,752 | 20,655 |
| | *of which annual variable remuneration in respect of 2016* | *None* | *None* |
| | *of which annual variable remuneration in respect of 2015* | *None* | *None* |
| | *of which annual variable remuneration in respect of 2014* | *None* | *None* |
| | *of which annual variable remuneration in respect of 2013* | *17,924* | *20,655* |
| | *of which annual variable remuneration in respect of 2012* | *27,828* | *None* |
| | Multi-annual variable remuneration[2] | 166,950 | 318,500 |
| | Extraordinary remuneration | None | None |
| | Directors' fees | None | None |
| | Benefits in kind | None | None |
| | **TOTAL** | **212,702** | **339,155** |

(1) *Only Jean Lemierre received remuneration in 2017 in respect of previous activity as an employee.*
(2) *These amounts correspond to payments under the Group loyalty plans awarded in 2013 and 2014. The average tax and social contribution rate on these remunerations was 43% in 2017 (46% in 2016).*

## SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED DURING THE YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY THE ISSUER AND BY ANY COMPANY OF THE GROUP

| | Number and date of plan | Type of options (purchase or subscription) | Valuation of options according to the method adopted for the consolidated financial statements | Number of options granted during the period | Exercise price | Exercise period |
|---|---|---|---|---|---|---|
| Jean LEMIERRE | | | | | | None |
| Jean-Laurent BONNAFÉ | | | | | | None |
| Philippe BORDENAVE | | | | | | None |

## ➤ SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE YEAR BY EACH EXECUTIVE CORPORATE OFFICER

| | Number and date of plan | Number of options exercised during the period | Exercise price |
|---|---|---|---|
| Jean LEMIERRE | | None | |
| Jean-Laurent BONNAFÉ | | None | |
| Philippe BORDENAVE | Plan 7 dated 6 April 2009 | 41,014 | 35.11 |

## ➤ PERFORMANCE SHARES GRANTED DURING THE YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY THE ISSUER AND BY ANY GROUP COMPANY

| | Number and date of plan | Number of shares granted during the period | Valuation of performance shares according to the method adopted for the consolidated financial statements | Vesting date | Date of availability | Performance conditions |
|---|---|---|---|---|---|---|
| Jean LEMIERRE | | | | | | None |
| Jean-Laurent BONNAFÉ | | | | | | None |
| Philippe BORDENAVE | | | | | | None |

## ➤ PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE YEAR FOR EACH EXECUTIVE CORPORATE OFFICER

| | Number and date of plan | Number of shares vesting during the period | Vesting conditions |
|---|---|---|---|
| Jean LEMIERRE | Plan 3 dated 6 March 2012 | 7,000 | See below, table *"History o f performance share awards"* |
| Jean-Laurent BONNAFÉ | | None | |
| Philippe BORDENAVE | | | |

## HISTORY OF SHARE PURCHASE OR SUBSCRIPTION OPTION AWARDS

| | Plan 7 | Plan 8 | Plan 9 |
|---|---|---|---|
| **Date of Annual General Meeting** | 21/05/2008 | 21/05/2008 | 21/05/2008 |
| **Date of Board of Directors' meeting** | 06/04/2009 | 05/03/2010 | 04/03/2011 |
| **Total number of shares that can be subscribed or purchased[(1)], of which the number that can be subscribed or purchased by:** | 2,437,234 | 2,423,700 | 2,296,820 |
| **corporate officers** | 56,395 | 38,200 | 28,640 |
| Jean LEMIERRE | 15,381 | 13,300 | 9,980 |
| Jean-Laurent BONNAFÉ | - | - | - |
| Philippe BORDENAVE | 41,014 | 24,900 | 18,660 |
| *Starting point for exercising options* | 08/04/2013 | 05/03/2014 | 04/03/2015 |
| **Expiration date** | 05/04/2017 | 02/03/2018 | 04/03/2019 |
| **Subscription or purchase price[(1)]** | 35.11 | 51.20 | 56.45 |
| ***Adjusted price as at 31/12/2017[(2)]*** | None | None | 67.74 |
| ***Methods of exercise* (when the plan includes several tranches)** | | *60% of the grant is conditional and is divided into 4 equal tranches subject to performance conditions. The exercise price may be adjusted upward according to the level of achievement of the performance conditions applicable to each tranche.* | *100% of the grant is conditional and divided into 4 equal tranches subject to performance conditions. The exercise price may be adjusted upward according to the level of achievement of the performance conditions applicable to each tranche.* |
| **Number of shares subscribed as at 31/12/2017** | 56,395 | - | - |
| **Cumulative number of lapsed or cancelled share subscription or purchase options** | - | - | - |
| **Remaining share subscription or purchase options at close of year (31/12/2017)** | | 38,200 | 28,640 |

*(1) The number of options and the exercise price in these plans have been adjusted for the detachment of pre-emptive subscription rights on 30 September 2009, in accordance with the regulations in force. The exercise prices in these plans do not comprise any discount.*

*(2) The performance conditions were not met in full for ¼ of the stock subscription or purchase options awarded.*

## HISTORY OF PERFORMANCE SHARE AWARDS

| Performance share information | Plan 3 |
|---|---|
| **Date of Annual General Meeting** | 11/05/2011 |
| **Date of Board of Directors' meeting** | 06/03/2012 |
| **Total number of shares awarded, including the number awarded to:** | 1,921,935 |
| **corporate officers** | 7,000 |
| Jean LEMIERRE | 7,000 |
| Jean-Laurent BONNAFÉ | - |
| Philippe BORDENAVE | - |
| **Date of acquisition of the shares** | 09/03/2015 |
| **End date of holding period** | 09/03/2017 |
| **Performance conditions** | yes[(1)] |
| **Number of shares vested at 31/12/2017** | 7,000 |
| **Cumulative number of lapsed and cancelled shares** | - |
| **Remaining performance shares at the end of the year (31/12/2017)** | - |

*(1) The performance condition is based on the relative performance of the BNP Paribas share relative to the EURO STOXX Banks index of European banks.*

### VALUATION[1] OF THE LONG-TERM VARIABLE REMUNERATION PLANS (LTIP) AT THE AWARD DATE AND AT 31 DECEMBER 2017

| Award date of the plan | 02/05/2013 | | 29/04/2014 | | 04/02/2015 | | 04/02/2016 | | 06/02/2017[2] | | 05/02/2018[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan maturity date of the plan | 02/05/2018 | | 29/04/2019 | | 04/02/2020 | | 04/02/2021 | | 06/02/2022 | | 05/02/2023 |
| Valuation[1] | At plan award date | As at 31/12/2017 | At plan award date | As at 31/12/2017 | At plan award date | As at 31/12/2017 | At plan award date | As at 31/12/2017 | At plan award date | As at 31/12/2017 | At plan award date |
| Jean LEMIERRE | - | - | - | - | - | - | - | - | - | - | - |
| Jean-Laurent BONNAFÉ | 560,112 | 2,163,000 | 449,668 | 741,968 | 331,200 | 717,360 | 339,885 | 907,920 | 775,767 | 775,689 | 479,065 |
| Philippe BORDENAVE | 286,724 | 1,107,250 | 230,526 | 330,376 | 168,360 | 364,658 | 217,875 | 582,000 | 496,650 | 496,600 | 306,700 |
| **TOTAL** | **846,836** | **3,270,250** | **680,194** | **1,122,344** | **499,560** | **1,082,018** | **557,760** | **1,489,920** | **1,272,417** | **1,272,289** | **785,765** |

*(1) Valuation according to the method adopted for the consolidated financial statements.*

*(2) The Board of Directors amended the performance conditions applicable to the 2017 LTIP in order to better differentiate the impact of the potential outperformance of the BNP Paribas share relative to its European peers and its intrinsic share performance (see detail in §3. Long-Term Incentive Plan).*

### ASSUMPTIONS USED TO VALUE THE LTIP IN ACCORDANCE WITH THE METHOD ADOPTED FOR THE CONSOLIDATED FINANCIAL STATEMENTS

| Valuation at award date | | |
|---|---|---|
| Award date of the plan | 06/02/2017 | 05/02/2018 |
| Opening BNP Paribas share price | EUR 61.50 | EUR 65.39 |
| Opening level of the EURO STOXX Banks index | 120.80 | 137.88 |
| Zero-coupon rate | Euribor | Euribor |
| Volatility of the BNP Paribas share price | 26.51% | 20.67% |
| Volatility of the EURO STOXX Banks index | 26.29% | 20.76% |
| Correlation between the BNP Paribas share and the EURO STOXX Banks index | 88.78% | 86.59% |
| Financial model used | Monte-Carlo | Monte-Carlo |
| **Fair value of the plan at award date[*]** | **49.67%** | **30.67%** |

*(*) As a percentage of the amount awarded.*

| | Initial value of the share at the award date | Fair value at date of award[3] | Valuation at closing date 31/12/2016 | Valuation at closing date 31/12/2017 |
|---|---|---|---|---|
| Closing price of BNP Paribas shares | | | EUR 60.55 | EUR 62.25 |
| Closing level of the EURO STOXX Banks index | | | 117.67 | 130.48 |
| Zero-coupon rate | | | Euribor | Euribor |
| Volatility of the BNP Paribas share price | | | 28.36% | 21.44% |
| Volatility of the EURO STOXX Banks index | | | 29.20% | 20.92% |
| Correlation between the BNP Paribas share and the EURO STOXX Banks index | | | 88.00% | 87.50% |
| Financial model used | | | Monte-Carlo | Monte-Carlo |
| **Fair value of the plan awarded on 2 May 2013** | **EUR 42.15[1]** | **33.34%** | **94.12%[3]** | **128.5%[3]** |
| **Fair value at the end of the period of the plan awarded on 29 April 2014** | **EUR 55.11[1]** | **28.46%** | **42.13%[3]** | **46.96%[3]** |
| **Fair value at the end of the period of the plan awarded on 4 February 2015** | **EUR 51.76[1]** | **27.60%** | **49.81%[3]** | **59.78%[3]** |
| **Fair value at end of the period of the plan awarded on 4 February 2016** | **EUR 54.07[1]** | **17.43%** | **40.64%[3]** | **46.56%[3]** |
| **Fair value at the end of the period of the plan awarded on 6 February 2017** | **EUR 48.35[2]** | **49.67%** | **N/A** | **49.66%[3]** |

*(1) The initial amount is the higher of the average opening price of the BNP Paribas share in the rolling 12-month period prior to the award date, and the opening BNP Paribas share price on the award date.*
*(2) The initial value is the average of the opening price of the BNP Paribas share for the rolling 12-month period preceding the date of grant.*
*(3) As a percentage of the total awarded.*

## ➤ DETAILED CONTRACTUAL SITUATION OF THE GROUP'S CORPORATE OFFICERS

| Executive corporate officers as at 31 December 2017 | Employment contract | | Top-up pension plan | | Payments and benefits due or likely to become due upon termination or change of duties | | Payment associated with a non-compete clause | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| **Mr Jean LEMIERRE**<br>Chairman of the Board of Directors | | ✓[1] | ✓[2] | | | ✓ | | ✓ |
| **Mr Jean-Laurent BONNAFÉ**<br>Chief Executive Officer | | ✓[3] | ✓[2] | | | ✓ | ✓[4] | ✓ |
| **Mr Philippe BORDENAVE**<br>Chief Operating Officer | ✓[5] | | ✓[2] | | | ✓ | | ✓ |

*(1) Waiver of employment contract with effect from 1 December 2014 in accordance with Afep-Medef Code.*
*(2) Jean Lemierre, Jean-Laurent Bonnafé and Philippe Bordenave are only entitled to the defined-contribution pension plan set up for all BNP Paribas SA employees and corporate officers, in accordance with article 83 of the French General Tax Code.*
*(3) Waiver of employment contract with effect from 1 July 2012.*
*(4) See section regarding Non-Compete Agreement.*
*(5) Employment contract suspended.*

## SHAREHOLDER VOTE ON THE INDIVIDUAL REMUNERATION OF EXECUTIVE CORPORATE OFFICERS PURSUANT TO ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE

The elements of remuneration paid or awarded in respect of 2017 to each executive corporate officer, subject to a vote of the shareholders are as follows:

### ➤ ELEMENTS OF REMUNERATION PAID OR AWARDED FOR THE FINANCIAL YEAR TO MR JEAN LEMIERRE SUBJECT TO THE SHAREHOLDERS' VOTE (AMOUNTS IN EUROS)



| | 2017 | Comments |
|---|---|---|
| **Jean LEMIERRE – Chairman of the Board of Directors** | | |
| Fixed remuneration for the year | 950,000 | The remuneration paid to Jean LEMIERRE is determined by the method recommended by the Remuneration Committee and approved by the Board of Directors. His fixed remuneration has not changed since December 2014. |
| Annual variable remuneration awarded in respect of the year | None | Jean LEMIERRE is not entitled to multi-annual variable remuneration. The absence of variable remuneration reflects the independence of the Chairman with respect to the Executive Management. |
| Multi-annual variable remuneration | None | Mr Jean LEMIERRE is not entitled to multi-annual variable remuneration. The absence of variable remuneration reflects the independence of the Chairman with respect to the Executive Management. |
| Directors' fees | 62,344 | Mr Jean LEMIERRE does not receive any Directors' fees from any Group companies other than BNP Paribas SA |
| Extraordinary remuneration | None | Mr Jean LEMIERRE received no extraordinary remuneration during the year. |
| Stock options awarded during the year | None | No options were granted to Mr Jean LEMIERRE during the year. |
| Performance shares awarded during the year | None | No performance shares were granted to Mr Jean LEMIERRE during the year. |
| Sign-on bonuses and severance payments | None | Mr Jean LEMIERRE received no sign-on bonuses or severance payments. |
| Top-up pension plan defined-benefit pension plan | None | Mr Jean LEMIERRE is not entitled to any supplemental defined-benefit pension plans. |
| Top-up pension plan defined-contribution pension plan | 431 | Mr Jean LEMIERRE benefits from the defined-contribution plan set up for all BNP Paribas SA employees, in accordance with pension plans article 83 of the French General Tax Code. The amount of contributions paid by the Company under the plan to Mr Jean Lemierre in 2017 was EUR 431. |
| Collective welfare benefit and healthcare plan | 3,180 | Mr Jean LEMIERRE benefits from the disability, invalidity and death, and healthcare insurance plans offered to employees and corporate officers of BNP Paribas SA. He also benefits from death and disability insurance covering all employees of BNP Paribas SA. This amount is the total received. |
| Benefits in kind | 3,632 | Mr Jean LEMIERRE has a company car and a mobile phone. |
| **TOTAL** | **1,019,587** | |

## ELEMENTS OF REMUNERATION PAID OR AWARDED TO MR JEAN-LAURENT BONNAFÉ FOR THE YEAR SUBJECT TO A VOTE BY SHAREHOLDERS (AMOUNTS IN EUROS)

| | 2017 | Comments |
|---|---|---|
| **Jean-Laurent BONNAFÉ – Chief Executive Officer** | | |
| Fixed remuneration for the year | 1,562,000 | The remuneration paid to Jean-Laurent BONNAFÉ is determined by the method recommended by the Remuneration Committee and approved by the Board of Directors. This fixed remuneration was increased in accordance with the decision of the Board of Directors on 25 February 2016. |
| Annual variable remuneration awarded in respect of the year[(1)] | 1,576,758 | The variable remuneration of Mr Jean-Laurent BONNAFÉ changes on the basis of criteria representative of Group results and his managerial performance. It is expressed as a percentage of a target variable remuneration corresponding to 100% of fixed remuneration for the year. The quantitative criteria apply to the Group's overall performance. They are as follows:<br>■ ratio of net earnings per share for the year to net earnings per share for the previous year (37.5% of target variable remuneration);<br>■ percentage achievement of the Group's budgeted gross operating income (37.5% of the target variable remuneration).<br>After taking into account both quantitative and qualitative criteria, and the evolution of the Group's results, the Board of Directors set the annual variable remuneration of Jean-Laurent Bonnafé for 2017 at EUR 1,576,758 i.e. 101% of the target;<br>■ half of the non-deferred portion of the variable remuneration will be paid in May 2018, less Directors' fees received within the Group in 2017 for Group entities other than BNP Paribas SA, and half in March 2019, indexed to the performance of the BNP Paribas share;<br>■ the deferred portion of the variable remuneration will be paid in fifths as of 2019. Each payment will be made half in March every year, and half in March of the following year, indexed to the performance of the BNP Paribas share. The annual payment of the deferred variable remuneration is subject to the condition that the ROE before tax of the Group for the year preceding the payment is greater than 5%. |
| Conditional long-term remuneration programme (fully deferred for a period of five years) | 479,065 | The fair value of the LTIP awarded to Mr Jean-Laurent BONNAFÉ on 5 February 2018 with respect to 2017 amounted to EUR 479,065.<br>The term of the LTIP is five years. The two conditions of the LTIP, one rewarding an increase in the intrinsic value of the share, and the second - the potential outperformance relative to peers, are assigned equal weighting in order to measure their effects separately.<br>Thus, payments under the LTIP may not exceed 137.5% of their award value. |
| Directors' fees | 62,344 | Mr Jean-Laurent BONNAFÉ does not receive any Directors' fees from any Group companies other than BNP Paribas SA. |
| Extraordinary remuneration | None | Mr Jean-Laurent BONNAFÉ received no extraordinary remuneration during the year. |
| Stock options awarded during the period | None | No stock options were awarded to Mr Jean-Laurent BONNAFÉ for the year. |
| Performance shares awarded during the year | None | No performance shares were awarded to Mr Jean-Laurent BONNAFÉ for the year. |
| Sign-on bonuses or severance payments | None | |
| Non-compete indemnity | None | Under the non-compete clause signed on 25 February 2016, and subject to the conditions detailed below, Jean-Laurent BONNAFÉ would receive remuneration equal to 1.2 times the sum of his fixed and variable remuneration (excluding multi-annual variable remuneration) received during the year prior to his leaving the Group. One-twelfth of the indemnity would be paid each month.<br>Under this agreement, if he ceases to hold any role or position in BNP Paribas, Jean-Laurent Bonnafé undertakes, for a period of 12 months, not to take any role whatsoever, either directly or indirectly, for a credit institution, investment or insurance firm whose securities are traded on a regulated market in France or abroad, or in France for a credit institution, investment or insurance firm whose securities are not traded on a regulated market. |
| Top-up pension plan defined-benefit | None | Mr Jean-Laurent BONNAFÉ does not benefit from any supplemental defined-benefit pension plans. |
| Top-up pension plan defined-contribution | 431 | Mr Jean-Laurent BONNAFÉ benefits from the defined-contribution plan set up for all BNP Paribas SA employees, in accordance with article 83 of the French General Tax Code. The amount of contributions paid by the Company under the plan to Mr Jean-Laurent BONNAFÉ in 2017 was EUR 431. |
| Collective welfare benefit and healthcare plan | 3,180 | Mr Jean-Laurent BONNAFÉ benefits from the disability, invalidity and death and healthcare insurance plans offered to employees and corporate officers of BNP Paribas SA. He also benefits from death and disability insurance covering all employees of BNP Paribas SA. |
| Benefits in kind | 6,127 | Mr Jean-Laurent BONNAFÉ has a company car and a mobile phone. This amount also includes the employer contribution under the Executive Committee professional life insurance contract. |
| **TOTAL** | **3,689,905** | |

*(1) Payment subject to the approval of the General Meeting of 24 May 2018 pursuant to article L. 225-100 of the French Commercial Code.*

## ELEMENTS OF REMUNERATION PAID OR AWARDED TO MR PHILIPPE BOREDENAVE FOR THE YEAR SUBJECT TO A VOTE BY SHAREHOLDERS (AMOUNTS IN EUROS)

| | 2017 | Comments |
|---|---|---|
| **Philippe BORDENAVE – Chief Operating Officer** | | |
| Fixed remuneration due for the period | 1,000,000 | The remuneration paid to Mr Philippe BORDENAVE is determined by the method recommended by the Remuneration Committee and approved by the Board of Directors. The fixed annual remuneration of Mr Philippe Bordenave was increased to EUR 1,000,000 effective as at 1 January 2016. |
| Annual variable remuneration awarded in respect of the year[1] | 1,009,448 | The variable remuneration of Mr Philippe BORDENAVE changes on the basis of criteria representative of Group results and his managerial performance. It is expressed as a percentage of a target variable remuneration corresponding to 100% of fixed remuneration for the year. The quantitative criteria apply to the Group's overall performance. They are as follows:<br>■ ratio of net earnings per share for the year to net earnings per share for the previous year (37.5% of target variable remuneration);<br>■ percentage achievement of the Group's budgeted gross operating income (37.5% of the target variable remuneration).<br>After taking into account the quantitative and qualitative criteria, and the evolution of the Group's results, the Board of Directors set the annual variable remuneration of Philippe Bordenave for 2017 at EUR 1,009,448 i.e. 101% of the target;<br>■ half of the non-deferred portion of the variable remuneration will be paid in May 2018, less Directors' fees received within the Group in 2017 for Group entities other than BNP Paribas SA, and half in March 2019, indexed to the performance of the BNP Paribas share;<br>■ the deferred portion of the variable remuneration will be paid in fifths as of 2019. Each payment will be made half in March every year, and half in March of the following year, indexed to the performance of the BNP Paribas share. The annual payment of the deferred variable remuneration is subject to the condition that the ROE before tax of the Group for the year preceding the payment is greater than 5%. |
| Conditional long-term remuneration programme (fully deferred for a period of five years) | 306,700 | The fair value of the LTIP awarded to Mr Philippe BORDENAVE on 5 February 2018 in respect of year 2017 is EUR 306,700.<br>The term of the LTIP is five years. The two conditions of the LTIP, one rewarding an increase in the intrinsic value of the share, and the second - the potential outperformance relative to peers, are assigned equal weighting in order to measure their effects separately.<br>Thus, payments under the LTIP may not exceed 137.5% of their award value. |
| Directors' fees | None | Mr Philippe BORDENAVE does not receive Directors' fees from any Group companies. |
| Extraordinary remuneration | None | Mr Philippe BORDENAVE received no extraordinary remuneration during the year. |
| Stock options awarded during the period | None | No options were granted to Mr Philippe BORDENAVE during the year. |
| Performance shares awarded during the year | None | No performance shares were granted to Mr Philippe BORDENAVE during the year. |
| Sign-on bonuses or severance payments | None | Mr Philippe BORDENAVE receives no sign-on bonuses or severance payments. |
| Top-up pension plan defined-benefit | None | Mr Philippe BORDENAVE benefits from no supplemental defined-benefit pension plans. |
| Top-up pension plan defined-contribution | 431 | The corporate officers benefit from the defined-contribution plan set up for all BNP Paribas SA employees, in accordance with article 83 of the French General Tax Code. The amount of contributions paid by the Company under the plan in 2017 to Mr Philippe BORDENAVE was EUR 431. |
| Collective welfare benefit and healthcare plan | 3,180 | Mr Philippe BORDENAVE benefits from the disability, invalidity and death and healthcare insurance plans offered to employees and corporate officers of BNP Paribas SA. He also benefits from death and disability insurance covering all employees of BNP Paribas SA. |
| Benefits in kind | 3,953 | Mr Philippe BORDENAVE has a company car and a mobile phone. This amount also includes the employer contribution under the Executive Committee professional life insurance contract. |
| **TOTAL** | **2,323,712** | |

*(1) Payment subject to the approval of the General Meeting of 24 May 2018 pursuant to article L. 225-100 of the French Commercial Code.*

## REMUNERATION AND BENEFITS AWARDED TO THE GROUP'S NON-EXECUTIVE CORPORATE OFFICERS

### Directors' fees and other remuneration received by non-executive corporate officers

With the exception of the Directors elected by employees (see below), no other remuneration was paid to non-executive corporate officers.

| Directors' fees received by non-executive corporate officers | Amounts paid in 2016 | Amounts paid in 2017 |
|---|---|---|
| ASCHENBROICH Jacques(1) | None | 21,850 |
| De CHALENDAR Pierre André | 105,215 | 95,944 |
| COHEN Monique | 84,024 | 91,185 |
| DE PLOEY Wouter | 28,781 | 89,729 |
| GUILLOU Marion | 112,489 | 104,295 |
| KESSLER Denis | 91,298 | 93,905 |
| LEPETIT Jean-François | 123,559 | 73,415 |
| MISSON Nicole | 101,103 | 101,673 |
| PARISOT Laurence | 134,628 | 124,397 |
| SCHWARZER Daniela | 90,982 | 85,844 |
| TILMANT Michel | 101,103 | 117,405 |
| VAN BROEKHOVEN Emiel(2) | 46,387 | None |
| VERRIER Sandrine | 75,485 | 80,698 |
| WICKER-MIURIN Fields | 88,136 | 94,973 |
| **TOTAL** | **1,183,190** | **1,175,312** |

*(1) Term of office began on 23 May 2017.*
*(2) Term of office ended on 26 May 2016.*

### Remuneration and benefits awarded to employee-elected Directors

Total remuneration paid in 2017 to employee-elected Directors amounted to EUR 85,685 (EUR 77,471 in 2016), excluding Directors' fees related to their office. Directors' fees paid in 2017 to employee-elected Directors amounted to EUR 182,371 (EUR 176,588 in 2016). These sums were paid directly to the trade union bodies of the Directors concerned.

Directors representing employees are entitled to the same death/disability benefits and the same *Garantie Vie Professionnelle Accidents* benefits as all BNP Paribas SA employees, as well as medical benefits. The total amount of premiums paid into these schemes by BNP Paribas in 2017 on behalf of employee-elected Directors was EUR 1,478 (EUR 1,388 in 2016).

The Directors representing employees belong to the defined-contribution pension plan (article 83 of the French General Tax Code) set up for all BNP Paribas SA employees. The total amount of contributions paid by BNP Paribas to the scheme in 2017 on behalf of these corporate officers was EUR 729 (EUR 670 in 2016). They are also entitled to top-up banking industry pensions under the industry-wide agreement that entered into force on 1 January 1994.

## SUMMARY OF TRANSACTIONS REPORTED ON BNP PARIBAS STOCK

The following table lists the transactions in BNP Paribas stock carried out in 2017 by the corporate officers covered by article L.621-18-2 of the French Monetary and Financial Code and which must be disclosed pursuant to articles 223-22 A to 223-26 of the General Regulation of the AMF.

| Name<br>Function | Transactions carried out | Type of financial instrument | Nature of the transaction | Number of transactions | Total transaction amount *(in euros)* |
|---|---|---|---|---|---|
| VERRIER Sandrine | As Employee data | Equities BNP Paribas | Sale of 113 units of shareholder funds | 1 | 6,857.84 |

## 2.1.4 OTHER INFORMATION



### 1 INFORMATION ON SHARE SUBSCRIPTION OR PURCHASE OPTIONS AND PERFORMANCE SHARES

The following table lists for 2017 the BNP Paribas employees other than corporate officers having received the largest numbers of financial instruments, as well as the largest numbers of financial instruments transferred or exercised by them in 2017.

| | Number of options granted/exercised | Weighted average exercise price *(in euros)* | Date of grant |
|---|---|---|---|
| **Options granted in 2017**<br>(Sum of ten largest grants) | - | - | - |
| | 86,762 | 35.11 | 06/04/2009 |
| **Options exercised in 2017** | 63,725 | 51.20 | 05/03/2010 |
| (Ten employees) | 14,970 | 56.45 | 04/03/2011 |

| | Number of shares awarded/transferred | Date of grant |
|---|---|---|
| **Performance shares granted in 2017**<br>(Sum of ten largest grants) | - | - |
| **Performance shares transferred in 2017** | 170 | 05/03/2010 |
| (Ten employees) | 91 | 04/03/2011 |
| | 315 | 06/03/2012 |

### 2 LOANS, ADVANCES AND GUARANTEES GRANTED TO CORPORATE OFFICERS

At 31 December 2017, total outstanding loans granted directly or indirectly to corporate officers amounted to EUR 6,881,664 (EUR 1,197,628 at 31 December 2016). This represents the total amount of loans granted to BNP Paribas' corporate officers and their spouses. These loans representing normal transactions were carried out on an arm's length basis.

## 3 TABLE OF DELEGATIONS

### Resolutions of Shareholders' General Meetings valid for 2017

The following delegations to increase or reduce the share capital have been granted to the Board of Directors under resolutions approved by Shareholders' General Meetings and were valid during 2017:

| Resolutions adopted at Shareholders' General Meetings | | Use of authorisation in 2017 |
|---|---|---|
| Shareholders' Combined General Meeting of 26 May 2016 (5th resolution) | Authorisation given to the Board of Directors to set up a share buyback programme for the Company up to a maximum of 10% of the shares comprising the share capital.<br>Said acquisitions of shares, at a price not exceeding EUR 62 per share (previously EUR 62), would be intended to fulfil several objectives including:<br>■ honouring obligations arising from the issue of securities giving access to capital, stock option programmes, the award of free shares, the award or sale of shares to employees in connection with the employee profit-sharing scheme or company savings plans;<br>■ cancelling shares in accordance with conditions set by the Shareholders' Combined General Meeting of 26 May 2016 (23rd resolution);<br>■ covering any allocation of shares to the employees and corporate officers of BNP Paribas and companies exclusively controlled by BNP Paribas within the meaning of article L. 233-16 of the French Commercial Code;<br>■ for the purposes of holding and subsequently remitting them in exchange or payment for external growth transactions, mergers, spin-offs or asset contributions;<br>■ in connection with a market-making agreement complying with the Code of Ethics recognised by the AMF (French Securities Regulator);<br>■ to enable investment services to be carried out for which BNP Paribas has agreed or the hedging of such services.<br>This authorisation was granted for a period of 18 months and replaces that granted by the 5th resolution of the Shareholders' Combined General Meeting of 13 May 2015 | Under the market-making agreement, 156,881 shares with a par value of EUR 2 were acquired and 152,931 shares with a par value of EUR 2 were sold between 1 January and 23 May 2017. |
| Shareholders' Combined General Meeting of 26 May 2016 (16th resolution) | Capital increase, with preferential subscription rights maintained, through the issue of ordinary shares and securities giving access immediately or in the future to shares to be issued.<br>The nominal amount of capital increases that may be carried out immediately and/or in the future, by virtue of this authorisation, may not exceed EUR 1.2 billion (i.e. 600 million shares).<br>This authorisation was granted for a period of 26 months and replaces that granted by the 16th resolution of the Shareholders' Combined General Meeting of 14 May 2014. | This authorisation was not used during the period. |
| Shareholders' Combined General Meeting of 26 May 2016 (17th resolution) | Capital increase, without preferential subscription rights, through the issue of ordinary shares and securities giving access immediately or in the future to shares to be issued.<br>The nominal amount of capital increases that may be carried out, immediately and/or in the future, by virtue of this authorisation, may not exceed EUR 240 million (i.e. 120 million shares).<br>This authorisation was granted for a period of 26 months and replaces that granted by the 17th resolution of the Shareholders' Combined General Meeting of 14 May 2014. | This authorisation was not used during the period. |
| Shareholders' Combined General Meeting of 26 May 2016 (18th resolution) | Capital increase, without preferential subscription rights, through the issue of ordinary shares and securities giving access immediately or in the future to shares to be issued intended to remunerate contributions of securities up to 10% of the share capital.<br>The maximum nominal amount of capital increases that may be carried out, on one or more occasions, by virtue of this authorisation, may not exceed 10% of BNP Paribas' share capital on the date of the decision by the Board of Directors.<br>This delegation was given for a period of 26 months and replaces that granted by the 19th resolution of the Shareholders' Combined General Meeting of 14 May 2014. | This authorisation was not used during the period. |

| Resolutions adopted at Shareholders' General Meetings | | Use of authorisation in 2017 |
|---|---|---|
| Shareholders' Combined General Meeting of 26 May 2016 (19th resolution) | Overall limit on authorisations to issue shares without preferential subscription rights for existing shareholders.<br>The maximum overall amount for all issues without preferential subscription rights for existing shareholders carried out immediately and/or in the future may not exceed EUR 240 million for shares by virtue of the authorisations granted under the 17th and 18th resolutions of the present Shareholders' General Meeting. | Not applicable |
| Shareholders' Combined General Meeting of 26 May 2016 (20th resolution) | Capital increase by capitalising reserves, retained earnings, additional paid-in capital or contribution premium.<br>Authorisation was given to increase the share capital up to a maximum amount of EUR 1.2 billion on one or more occasions, by capitalising all or part of the reserves, profits or additional paid-in capital, merger or contribution premiums, successively or simultaneously, through the issuance and award of free shares, through an increase in the par value of existing shares, or through a combination of these two methods.<br>This authorisation was granted for a period of 26 months and replaces that granted by the 21th resolution of the Shareholders' Combined General Meeting of 14 May 2014. | This authorisation was not used during the period. |
| Shareholders' Combined General Meeting of 26 May 2016 (21th resolution) | Overall limit on authorisations to issue shares with or without preferential subscription rights for existing shareholders.<br>The maximum overall amount for all issues with or without preferential subscription rights for existing shareholders carried out immediately and/or in the future may not exceed EUR 1.2 billion for shares by virtue of the authorisations granted under the 16th to 18th resolutions of the present Shareholders' General Meeting. | Not applicable |
| Shareholders' Combined General Meeting of 26 May 2016 (22nd resolution) | Authorisation granted to the Board of Directors to carry out transactions reserved for members of the BNP Paribas Group's Company Savings Plan in the form of new share issues and/or sales of reserved shares.<br>Authorisation was given to increase the share capital within the limit of a maximum nominal amount of EUR 46 million on one or more occasions by issuing ordinary shares (without preferential subscription rights for existing shareholders), reserved for members of the BNP Paribas Group's Company Savings Plan, or by selling shares.<br>This authorisation was granted for a period of 26 months and replaces that granted by the 23th resolution of the Shareholders' Combined General Meeting of 14 May 2014. | This authorisation was not used during the period. |
| Shareholders' Combined General Meeting of 26 May 2016 (23rd resolution) | Authorisation granted to the Board of Directors to reduce share capital by cancelling shares.<br>Authorisation was given to cancel, on one or more occasions, through a reduction in the share capital, all or some of the shares that BNP Paribas holds and that it could hold, provided that the number of shares cancelled in any 24 month period does not exceed 10% of the total number of shares on the transaction date.<br>Full powers were delegated to complete the capital reduction and deduct the difference between the purchase cost of the cancelled shares and their par value from additional paid-in capital and reserves available for distribution, including from the legal reserve, up to 10% of the capital cancelled.<br>This authorisation was granted for a period of 18 months and replaces that granted by the 19th resolution of the Shareholders' Combined General Meeting of 13 May 2015. | This authorisation was not used during the period. |

| Resolutions adopted at Shareholders' General Meetings | | Use of authorisation in 2017 |
|---|---|---|
| Shareholders' Combined General Meeting of 23 May 2017 (5th resolution) | Authorisation given to the Board of Directors to set up a share buyback programme for the Company up to a maximum of 10% of the shares comprising the share capital.<br>Said acquisitions of shares at a price not exceeding EUR 73 per share (previously EUR 62) would be intended to fulfil several objectives including:<br>■ honouring obligations arising from the issue of securities giving access to capital, stock option programmes, the award of free shares, the award or sale of shares to employees in connection with the employee profit-sharing scheme or company savings plans;<br>■ cancelling shares in accordance with conditions set by the Shareholders' Combined General Meeting of 23 May 2017 (17th resolution);<br>■ covering any allocation of shares to the employees and corporate officers of BNP Paribas and companies exclusively controlled by BNP Paribas within the meaning of article L. 233-16 of the French Commercial Code;<br>■ for the purposes of holding and subsequently remitting them in exchange or payment for external growth transactions, mergers, spin-offs or asset contributions;<br>■ in connection with a market-making agreement complying with the Code of Ethics recognised by the AMF (French Securities Regulator);<br>■ In order to carry out investment services for wich BNP Paribas is authorised or to hedge them.<br>This authorisation was granted for a period of 18 months and replaces that granted by the 5th resolution of the Shareholders' Combined General Meeting of 26 May 2016. | Under the market-making agreement, 163,913 shares with a par value of EUR 2 were acquired and 144,863 shares with a par value of EUR 2 were sold between 24 May 2017 and 31 December 2017. |
| Shareholders' Combined General Meeting of 23 May 2017 (17th resolution) | Authorisation granted to the Board of Directors to reduce share capital by cancelling shares.<br>Authorisation was given to cancel, on one or more occasions, through a reduction in the share capital, all or some of the shares that BNP Paribas holds and that it may come to hold, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total number of shares at the operation date.<br>Full powers were delegated to complete the capital reduction and deduct the difference between the purchase cost of the cancelled shares and their par value from additional paid-in capital and reserves available for distribution, including from the legal reserve in respect of up to 10% of the capital cancelled.<br>This authorisation was granted for a period of 18 months and replaces that granted by the 23rd resolution of the Shareholders' Combined General Meeting of 26 May 2016. | |

## 4. ITEMS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OR EXCHANGE OFFER (ARTICLE L.225-37-5 OF THE FRENCH COMMERCIAL CODE)

Among the items referred to in article L. 225-37-5 of the French Commercial Code, there is no element likely to have an impact in the event of a public takeover or exchange offer.

# 2.2 Statutory Auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code, on the Board of Directors' report on corporate governance.

The observations required by Article L. 225-235 of the French Commercial Code are included in the Statutory Auditors' report on the financial statements (Chapter 6.6).

# 2.3 The Executive Committee

At 5 February 2018 the BNP Paribas Executive Committee had the following members:

- **Jean-Laurent Bonnafé,** Chief Executive Officer;
- **Philippe Bordenave,** Chief Operating Officer;
- **Jacques d'Estais,** Deputy Chief Operating Officer; International Financial services;
- **Michel Konczaty,** Deputy Chief Operating Officer;
- **Thierry Laborde,** Deputy Chief Operating Officer; Domestic Markets;
- **Alain Papiasse,** Deputy Chief Operating Officer; North America, Corporate and Institutional Banking;
- **Marie-Claire Capobianco,** Head of French Retail Banking;
- **Laurent David,** Head of BNP Paribas Personal Finance;
- **Stefaan Decraene,** Head of International Retail Banking;
- **Renaud Dumora,** Chief Executive Officer of BNP Paribas Cardif;
- **Yann Gérardin,** Head of Corporate and Institutional Banking;
- **Maxime Jadot,** Head of BNP Paribas Fortis;
- **Nathalie Hartmann *,** Head of Group Compliance Function;
- **Yves Martrenchar,** Head of Group Human Resources;
- **Andrea Munari,** Country Head for Italy, and Director and Chief Executive Officer of BNL;
- **Eric Raynaud,** Head of the Asia Pacific region;
- **Frank Roncey,** Head of Group Risk Management;
- **Antoine Sire **,** Head of Corporate Engagement;
- **Thierry Varène,** Head of Key Clients; Chairman of Corporate Clients Financing and Advisory EMEA.

The Executive Committee of BNP Paribas has been assisted by a permanent Secretariat since November 2007.

*(*) Appointed on 1 st October 2017*

*(**) Appointed on 1 st September 2017*

# 2.4 Internal Control

The following information relating to internal control has been provided by the Group's Executive Management. The Chief Executive Officer shall be responsible for the organisation and procedures of internal control and for all information required by French law regarding the internal control report. This document is based on the information provided by the Compliance, Risk, Finance, Legal and General Inspection Functions. It has been approved by the Board of Directors.

## BNP PARIBAS' INTERNAL CONTROL STANDARDS

The principles and procedures for the internal control of banking activities in France and abroad are at the heart of banking and financial regulations and are subject to numerous legislative and regulatory provisions.

The main text applicable to BNP Paribas is the Ministerial Order of 3 November 2014. This text sets out the conditions for the implementation and monitoring of internal control in credit institutions and investment firms, in compliance with the European Directive CRD 4. In particular, it specifies the principles relating to internal transaction control systems and procedures, organisation of accounting and information processing, risk and result measurement systems, risk monitoring and control systems, and the information and documentation system for internal control. Article 258 of the Order provides for the drafting for the Board of Directors of an annual regulatory report on the conditions under which internal control is implemented.

This Order requires BNP Paribas to have an internal control system (hereinafter Internal control) comprising specific departments and persons responsible for permanent control (including the Compliance and Risk Functions) and periodic control. This system must also take into account, as appropriate, the general regulation of the AMF, the regulations applicable to foreign branches and subsidiaries and to specialised activities such as portfolio management and insurance, and the recommendations of leading international bodies dealing with issues related to the prudential regulation of international banks, first and foremost the Basel Committee, the Financial Stability Board, the European Authorities, the European Securities and Markets Authority, the European Central Bank and the French *Autorité de contrôle prudentiel et de résolution*.

## DEFINITION, OBJECTIVES AND STANDARDS OF INTERNAL CONTROL

The BNP Paribas Group's Executive Management has implemented an internal control system whose main purpose is to ensure overall control of the risks and to provide reasonable assurance that the Company's objectives in this respect are achieved.

BNP Paribas' internal control charter (reworked and updated in 2017) specifies the framework of this system and constitutes BNP Paribas' basic internal control framework. Widely distributed within the Group and accessible to all its employees, this charter firstly recalls the objectives of internal control, which aims to ensure:

- a sound and prudent risk management approach, aligned with BNP Paribas' values and code of conduct in conjunction with the policies outlined in its corporate social responsibility framework;
- operational security of BNP Paribas' internal operations;
- the relevance and reliability of accounting and financial information;
- compliance with laws, regulations and internal policies.

Its implementation requires, in particular, that a culture of high-level risk and ethics be promoted to all employees and in BNP Paribas' relations with third parties, clients, intermediaries or suppliers as well its shareholders.

The charter then sets out the rules governing the organisation, responsibility and scope of operations of the various internal control entities and establishes the principle according to which the control functions (Compliance, Legal, Risk and General Inspection in particular) execute these controls independently.

## SCOPE OF INTERNAL CONTROL

The BNP Paribas Group's internal control is overarching:

- it covers all types of risks to which the Group may be exposed (credit and counterparty risk, market risk, liquidity risk, interest rate risk in the banking book, underwriting risk with respect to insurance, operational risk, risk of non-compliance, equity risk, etc.);
- it is applied at the Group level and at the level of directly or indirectly controlled entities, irrespective of their line of business and irrespective of whether they are consolidation status. For other entities (in particular, legal entities subject to significant influence), the Group's representatives on the corporate bodies of these entities are strongly encouraged to promote the same standards of internal control;
- it also covers the use of outsourced services, in accordance with principles defined by regulation.

## FUNDAMENTAL PRINCIPLES OF INTERNAL CONTROL

BNP Paribas' s internal control system is based on its values and the code of conduct as well as the principles of the following additional actions:

- clearly identified responsibilities: internal control is the responsibility of every employee, irrespective of their seniority or responsibilities. The exercise of a managerial function carries the additional responsibility of ensuring the proper implementation of the internal control system within the scope subject to regulation. In this framework, the necessary responsibilities and delegations must be clearly identified and communicated to all stakeholders;
- a structured risk identification, assessment and management system (involving, among others, a decision-making system, delegation, organisational principles, controls, reporting and alert mechanism, etc.);

- control and oversight that is independent of risk: the heads of the operational activities have the ultimate responsibility for those risks created by their activities, and as such, the foremost responsibility of implementing and operating a system that identifies, assesses and manages risk. The internal control system provides for mandatory intervention, and as early as possible, of Functions exercising independent control under a second level of control. This intervention takes the following forms:
  - defining the overall normative framework for risk identification, assessment and management,
  - defining cases where a second prior review by a Function exercising a second-level control shared with the operational entity is necessary for decision-making,
  - independent controls, called second-level controls, carried out by said Function on the system implemented by the heads of the operational activities and on their operation (result of the risk identification and assessment process, relevance and conformity of the risk control systems and in particular, compliance with the limits set);
- separation of duties: It is a key element of the risk control system. It consists of assigning certain operational tasks that contribute to the performance of a single process to stakeholders at various hierarchical levels or to separate these tasks by other means, in particular by electronic means. Thus, for example, tasks related to transaction initiation, confirmation, accounting, settlement and accounts reconciliation must be performed by different parties;
- proportionality of risks: the internal control system must be implemented under an approach and with an intensity that is proportionate to the risks involved. This proportionality is determined based on one or more criteria:
  - risk intensity as identified in the assessment programmes ("Risk ID", RCSA, etc.),
  - amount of allocated capital and/or ratios in terms of solvency and liquidity,
  - criticality of activities with regard to systemic issues,
  - regulatory conditions governing the exercise of business activities, size of business activities carried out,
  - customer type and distribution channels,
  - complexity of the products designed or marketed and/or services provided,
  - complexity of the processes carried out and/or the level of use of outsourcing with internal/external entities of the Group,
  - sensitivity of the environment where the activities are located,
  - legal form and/or presence of minority shareholders;
- appropriate governance: the internal control system is subject to governance involving the different stakeholders and covering the various aspects of internal control, both organisational and monitoring and oversight; the internal control committees are a key instrument in this system; the system is part of the decision-making processes managed through a system of delegations in the management reporting lines. They may involve the input of a third party belonging to another reporting line, whenever the systems defined by the Operational Entities and/or the functions exercising a second-level control so provide. The escalation process allows for disagreements between the operational entities and functions exercising second-level control, especially those related to decision-making, to be escalated to the higher hierarchical and possibly functional levels, to which the two parties report, and at the end, when these disputes cannot be resolved in this way, to arbitration conducted by the Group's Executive Officers. This process is implemented in accordance with the powers conferred to the Group Risk Officer, who may exercise his right of veto under the conditions set out in the Risk charter;
- a requirement for formalisation and traceability: Internal Control relies on the instructions of Executive Officers, written policies and procedures and audit trails. As such, the controls, their results, their implementation and the feedback from the entities to the higher levels of the Group's governance are documented and traceable;
- a duty of transparency: all Group employees, irrespective of their position, have a duty to communicate, in a transparent manner, that is, spontaneously and promptly, to a higher level within the organisation to which they belong:
  - any information required for a proper analysis of the situation of the entity in which the employee operates, and which may impact the risks or the reputation of the entity or the Group,
  - any question that the employee could not resolve independently in the exercise of his duties,
  - any anomaly of which he becomes aware.

In addition, he has a duty to alert, under the protection of confidentiality, as provided for by the Group code of conduct and exercised within the framework of the whistleblowing system established by Compliance.

- a human resources management taking into account internal control objectives: the internal control objectives to be considered in employee career management and remuneration (including: as part of the employee evaluation process, training, recruitment for key positions, and in determining remuneration);
- continuous adaptation of the system in response to changes: the internal control system must be actively managed by its various stakeholders. This adjustment in response to changes of any kind that the Group must face must be done according to a periodic cycle defined in advance but also continuously as soon as events so justify.

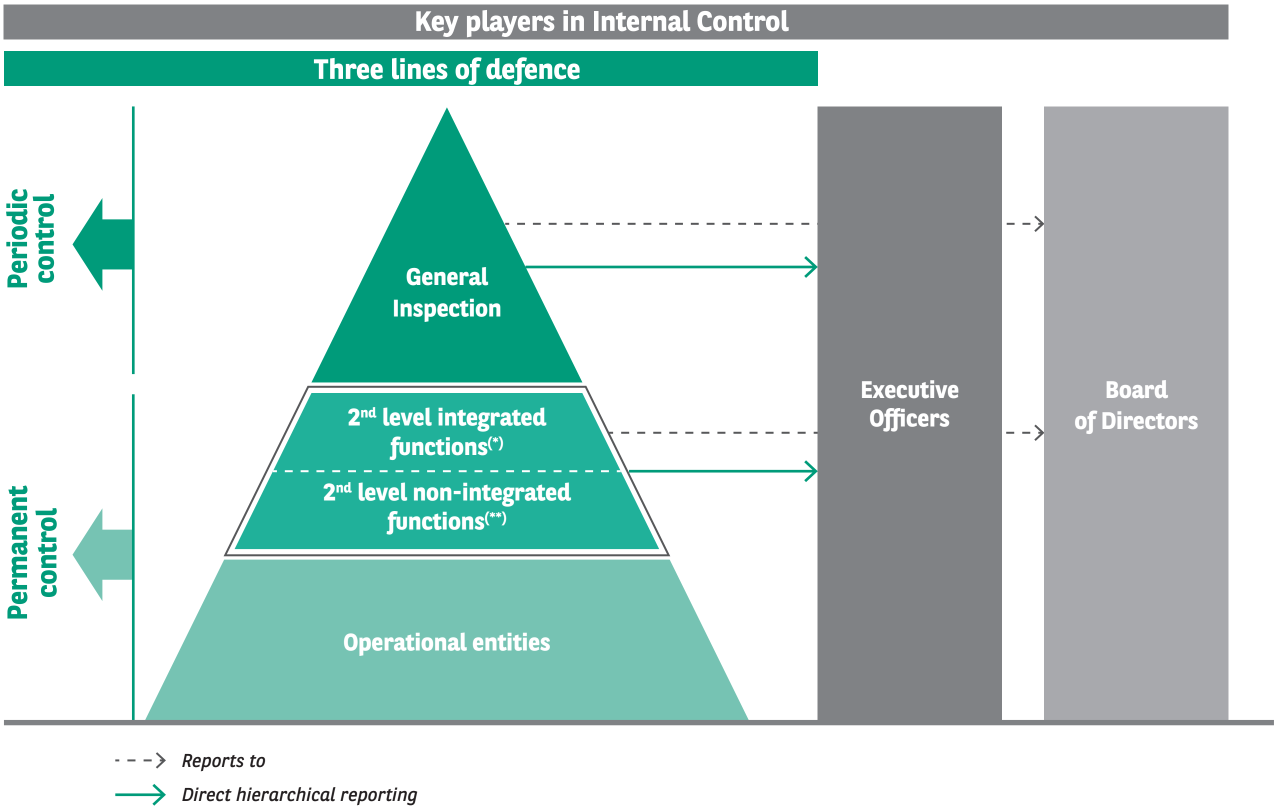
Compliance with these principles is verified on a regular basis, in particular through assignments carried out by the periodic control teams (General Inspection).

## ORGANISATION OF INTERNAL CONTROL

BNP Paribas Group's internal control system is organised around three lines of defence, under the responsibility of Executive Officers and under the oversight of the Board of Directors.

Permanent control is the ongoing implementation the risk management system and is provided by the first two lines of defence. Periodic control, provided by the third line of defence, is an audit and assessment function that is performed according to a clean audit cycle.

The functions exercising the second and third lines of defence are so-called Functions exercising independent control. They report directly to the Executive Officers and with respect to Compliance, Legal, Risk and General Inspection, they report on the performance of their duties to the Board of Directors.




(*) Compliance, Legal, Risk.
(**) Group Tax Department and Group Finance under its responsibility as part of the organisation and oversight of the control system for risks related to accounting and financial information.

## KEY PLAYERS IN INTERNAL CONTROL

- The operational entities are the first line of defence: the operational entities are primarily responsible for managing their risks and are the front-line in permanent control. They act within the framework defined by the Group's Executive Officers and reviewed by its Board of Directors, transcribed in the form of policies and procedures and to the extent necessary, tailored by the corporate bodies of the Group's entities.

  The risk control system operated by the first line of defence forms what is called the first-level control system. It is implemented by employees and/or their reporting line and/or control teams that do not operate the processes under their control.

The operational entities cover:

  - all Operating divisions and Business Lines, whether these concern profit-centre entities and their associated support functions, or all entities of Domestic Markets, International Financial Services and Corporate & Institutional Banking;
  - all cross-divisional Functions, including the control functions for the processes that they operate directly and not under the responsibility of the second line of defence;
  - all the Territories, attached to an operating division.

- The Functions exercising second-level control (second line of defence):
  - functions exercising second-level control are responsible, under the delegation given by the Executive Officers, for the organisation and functioning of the risk control system and its compliance with laws and regulations on a range of areas (subjects and/or processes), as defined in their responsibility charter;
  - as such, in their field of expertise and, where appropriate, after having consulted the operational entities, they define the general normative framework in which the risk management under their responsibility is to be carried out, the methods of their intervention (thresholds, delegations, escalation, etc.), implement this system in those aspects that concern them and for which they are responsible, in their area of expertise, for first-level and second-level permanent control. They challenge and provide an independent view of risk

identification and assessment *vis-a-vis* operational entities. They also contribute to spreading a culture of risk and ethics within the Group;

- those responsible for these functions provide the Executive Officers and Board of Directors with a reasoned opinion on the level of risk control, current or potential, in particular regarding the "Risk Appetite Statement" as defined and propose any actions for improvement that they deem necessary;
- the Head of a Function performing a second level control performs this mission by relying on teams that can be placed:
  - either under its direct or indirect hierarchical responsibility, where the Function is then called integrated. It thus has full authority over its budget and the management of its human resources,
  - or under its direct or indirect functional responsibility (so-called non-integrated Function) subject to joint decision-making with the reporting line manager for Human Resources and budget.

The three integrated functions exercising second-level control are:

- Risk, in charge of organising and overseeing the overall system for controlling those risks to which the BNP Paribas Group is exposed, particularly credit risk and counterparty risk, market risk, funding and liquidity risk, interest rate and exchange rate risk in the banking book, insurance risk and operational risk. The Head of Risk is also the Head of Permanent Control, responsible for the consistency and proper functioning of the permanent control system within the BNP Paribas Group;
- Compliance, responsible for organising and overseeing the non-compliance risk control system. As such, it contributes to the permanent control of compliance with laws and regulations, professional and ethical standards and the guidelines of the Board of Directors and the instructions of the Executive Management;
- Legal, responsible for organising and overseeing the legal risk control system, exercises its responsibility to prevent and manage legal risks through its advisory and control roles. It exercises this control by (i) monitoring the implementation of legal opinions issued for the purpose of avoiding or mitigating the effects of a major legal risk and (ii) first and second level control exerted on the legal processes. The missions entrusted to this function are performed independently of the business activities and support functions. The function is integrated hierarchically under the sole authority of its Department head, i.e. "Group General Counsel," who reports to the Chief Executive Officer.

The heads of these functions may be heard by the Board or any of its specialised committees, directly, possibly without the presence of Executive Officers, or at their request.

The two non-integrated functions exercising a second-level control are:

- Group Tax Department, as part of the organisation of the Group's tax risk control system and its contribution to its implementation;
- Group Finance, under its responsibility in defining and implementing the risk control system related to accounting and financial information.

The appointment of the Heads of the Compliance, Finance and Risk Functions falls within the framework defined by the European Banking Authority.

- General Inspection (third line of defence): the General Inspection is responsible for periodic control, performs the Internal Audit Function and contributes to the protection of the Group by independently acting as its third line of defence on all Group entities and in all areas. It includes:
  - centrally based inspectors who carry out their duties throughout the Group;
  - auditors distributed in the geographical or business line platforms (called "hubs").

The Inspector General, responsible for periodic controls, reports to the Chief Executive Officer.

- Executive Officers: the Chief Executive Officer and the Chief Operating Officer ensure the effective management of the Company for regulatory and legal purposes. In practice, the Executive Officers make key decisions through specialised committees that allow them to rely on experts with a deep understanding of the issues to be addressed.

Executive Directors are responsible for the internal control system as a whole. As such and notwithstanding the powers of the Board of Directors, the Executive Officers:

- decide on the key policies and procedures serving as the basis for this system;
- directly oversee the functions exercising independent control and provide them with the means to allow them to fulfil their responsibilities effectively;
- define the Group's risk-taking policies, validate the most important decisions in this area and, if necessary, make the final decisions in the context of the escalation process. This process is implemented in accordance with the powers conferred to the Group Risk Officer, who may exercise his right of veto under the conditions set out in the Risk charter;
- periodically evaluate and monitor the effectiveness of the internal control policies, systems and procedures and to implement the appropriate measures to remedy any deficiencies;
- receive the main reports on internal control within the Group;
- report to the Board of Directors or its relevant committees on the operation of this system.

- The Board of Directors: the Board of Directors exercises directly or through specialised committees (Financial Statements Committee, Internal Control, Risk Management and Compliance Committee, Corporate Governance, Ethics, Nominations and CSR Committee, etc.) key responsibilities in terms of internal control. Among others, the Board of Directors:
  - determines, on the proposal of the Executive Officers, the strategy and guidelines of the internal control activity and ensures their implementation;
  - reviews the internal control activity and results at least twice per year;
  - regularly reviews, assesses and verifies the effectiveness of the governance system, including in particular, clearly defined responsibilities, and internal control, including in particular risk reporting procedures, and taking appropriate measures to remedy any failings uncovered;
  - validates the "Risk Appetite Statement", approve and periodically review the strategies and policies for taking up, managing, monitoring and controlling risks and approves their overall limits.

The organisation of the Board of Directors and its specialised committees is defined through its Internal Rules. The heads of General Inspection and the integrated functions exercising second-level control have the right to be heard, possibly without the presence of Executive Officers, by the Board of Directors or one of its specialised committees.

Finally, among the specialised committees, the Internal Control, Risk Management and Compliance Committee (CCIRC) is essential in the Group's internal control system. Indeed, it assumes the following responsibilities:

- analyses reports on internal control and on risk measurement and monitoring, reports on the activities of the General Inspection, and significant correspondence with the main regulators;
- examines the strategic directions of the risk policy;
- reports to the Board of Directors.

## COORDINATION OF INTERNAL CONTROL

At the consolidated level, the coordination of internal control is ensured by the Group Supervisory & Control Committee, which is responsible, in particular, for ensuring consistency and coordination in the internal control system. It meets on a bi-monthly basis and brings together the Executive Officers, the Deputy Chief Executive Officer and the Heads of the integrated Functions. The Deputy Chief Operating Officers overseeing an operating division have standing invitations to attend.

In those entities and territories that are significant for the Group, their Executive Officers are responsible for arranging this coordination, generally within the framework of the Internal Control Committees.

## PROCEDURES

The procedures are one of the key elements of the permanent control system alongside the identification and assessment of risks, controls, reporting and monitoring of the control system.

Written guidelines are distributed throughout the Group and provide the organisation and procedures to be applied as well as the controls to be applied. These procedures constitute the basic framework for internal control. The Risk Function, as part of the oversight of the permanent control system, regularly monitors the completeness of the procedures'guidelines. The Group's cross-functional procedures framework (levels 1 and 2) is regularly updated through contributions from all divisions and functions. Regarding the control framework, investigations into the status of the system are included in the semi-annual report on permanent control.

Among the Group's cross-functional procedures, applicable in all entities, risk control is critically important in:

- the procedures that govern the process for approving exceptional transactions, new products and new activities;
- the procedure for approving credit and market transactions;
- the procedures in terms of compliance with embargoes and anti-money laundering.

These processes rely primarily on committees (Exceptional Transactions Committees, New Activities and Products Committees, Credit Committees, etc.) mainly covering, on the one hand, operational and related functions such as IT and Operations, and on the other, the control functions (Risk, Compliance, Finance, and Legal and Tax Functions), which take a "second-look" on transactions. In the event of a dispute, they are submitted to a higher level of the organisation. Leading this process are the committees (Credit, Market Risk, Risk Policy Committees, etc.) chaired by members of the Executive Management.

## 2017 HIGHLIGHTS

2017 was marked in particular by the following topics: the implementation of the remediation plan, the "Know Your Customer" programme (KYC) with the significant strengthening of Compliance means, and implementation of large programmes on compliance with MiF regulations and French anti-corruption law.

The increase in cyber threats in 2017 with particularly strong growth of ransomware have led the Bank to accelerate the deployment of its Group cyber security programme and strengthen the management of cyber risk through better IT governance and independent control campaigns.

### COMPLIANCE

Integrated globally since 2015, Compliance brings together all Group employees reporting to the function.

Compliance is organised based on its guiding principles (independence; integration and decentralisation of the function; dialogue with the business lines; accountability of each of the Group's stakeholders; a culture of excellence) through three operating areas, three regions, six fields of expertise and five cross-functional activities.

All Compliance Officers in the various operational areas, regions, business lines and territories, fields of expertise and Group functions report directly to the Compliance Function.

The Group Compliance headcount again increased significantly to 3,770 full-time equivalents (FTEs) at the end of 2017, an increase of 11% compared to 2016. The Compliance Function continues to oversee the implementation of the "remediation plan" which represents the translation of the commitments undertaken by BNP Paribas toward the French authorities as part of the control of the activities carried out in US dollars. Several other projects are underway in order to better align the organisation with the many challenges now faced (new regulatory requirements, complex transactions, etc.) by the Compliance Function. This is the case in particular in the areas of financial security (anti-money laundering, fight against corruption and terrorist financing, international financial sanctions), market integrity, the implementation of the French Banking Act and the US Volcker Rule, as well as laws concerning the tax status of customers, Professional Ethics, the code of conduct and the strengthening of mechanisms to protect customer interests.

In 2017, for example, the Compliance Function's activity resulted in the following developments:

- in the area of financial security, new standards for transaction monitoring and management of Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) alerts were defined in 2017, at the Group level, through a transformation project led by GFS Paris. They will lead to a significant strengthening of the control system in the management of AML/CFT alerts in all the entities concerned, which will be implemented between 2018 and 2019;
- as regards the system relating to international financial sanctions and the verification of the Group's compliance with commitments made to the French and US authorities, the second annual audit by the independent consultant was carried out between April to November 2017;
- the BNP Paribas corruption prevention and management system overhauled following the publication of the so-called "Sapin 2" law of 9 December 2015 on transparency, anti-corruption and modernising the economy. This system is now based on an anti-corruption code of conduct incorporated into BNP Paribas SA's internal regulations, governance, corruption risk mapping, policies,

procedures and tools used to control identified risks, internal alert systems, and finally, controls and reports. The measures undertaken, led by GFS, will continue in 2018 to take into account in particular, the new recommendations of the French Anti-Corruption Agency (*Agence Française Anti-Corruption* or AFA) and the implementation of mandatory anti-corruption training;

- the implementation of the target permanent control system to be used by the Compliance Function will continue until 2018;
- the procedures, tools and control plan have been put in place in order to meet the new MAD 2/MAR requirements;
- the continued implementation of MIFID II and PRIIPs under the framework of the global governance, tailored to coordinate the actions of local Compliance teams in each of the countries concerned;
- the continued implementation of new applicable regulations (including French banking law, the US "Volcker Rule", the US FATCA law (Foreign Account Tax Compliance Act), standard AEOI (Automatic Exchange of Information) of reporting promoted by the OECD on tax clients) and deployment of the corresponding periodic certification process.

In the field of client knowledge (Know Your Customer or KYC), the Group has completed the priority review of 1.4 million files initiated in early 2015, as well as the overhaul of all policies relating to information gathering, risk assessment and decision-making. The implementation of these policies in all Group business lines is monitored by the Compliance Function and is subject to regular reporting to the Chief Executive Officer. It is accompanied by a significant increase in the resources devoted to the process, a training programme, as well as numerous initiatives from both the Compliance Function and business lines to improve its operational efficiency.

In terms of training, a large-scale initiative continued throughout the Group (online training) with a view to raising awareness among all employees concerned about the importance and main features of international financial sanctions. Thus, as at 31 December 2017, more than 90% of the employees concerned had taken online training on international sanctions and embargoes, and that on anti-money laundering and financing of terrorism training.

2018 will see a continuation and completion of many projects. As a result, most of the projects on the strengthening control mechanisms for compliance with international sanctions will be completed in 2018.

With the completion of the upgrade of the new organisation, having been equipped with substantial human and technical resources, Compliance can now focus its efforts on the industrialisation and automation of relevant processes in order to achieve a more effective and more detailed management of non-compliance risks.

## LEGAL

In 2017, Legal continued to strengthen its integrated organisation, particularly through its legal risk management system and its governance.

Governance of the Legal Function has thus been consolidated with:

- the creation of a Global Legal Executive Board (bi-monthly) responsible for the management of strategic topics and the supervision of activities and decisions, including those of an organisational nature, taken within the Legal framework;
- strengthening the Global Legal Executive Committee (quarterly) and the Global Legal Risk Committee (quarterly sub-committee of the Global Legal Executive Committee);
- the deployment of Legal Risk Committees at the level of each Group Business Line and Region; and
- the appointment of a Deputy Group General Counsel.

Several events during 2017 impacted Legals activities in area of legal risk management, in particular:

- the issuance of a generic control plan for legal process;
- the issuance of an umbrella procedure on the legal risk management system, including defining an alert procedure for critical legal risks; this procedure has been accompanied by a broad communications plan that will continue in 2018; and
- Legals participation in the governance of the Group's operational risks through the Operational Risk Steering Committee supervised by the Risk Function.
- strengthening coordination with the General Inspection, Risk and Compliance Functions for operational management of these functions via a governance bringing together the different Chief Operating Officers.

Several projects will be completed during 2018, including:

- re-deployment of an employee training and awareness module on competition law;
- the deployment of an employee awareness module on data protection under the EU regulation on data protection that will enter into force on 25 May 2018;
- the establishment of a digital expertise plan applicable for Legal in its entirety and whose priorities are centred around boosting legal expertise in digital material and including, among others, the development of a skills centre dedicated to training lawyers on legal issues relating to digitalisation in order to support the Group's transformation plan and to assist them in better understanding these new challenges;

- strengthening the mechanism for anticipating legal risks through several innovative projects (experience feedback, self-diagnostics, etc.);
- the deployment of second-level controls on legal process in accordance with the "Target operating model" defined by the Risk ORC function for operational risk; and
- strengthening coordination with the Risk and Compliance Functions for a cross-functional approach to risk.

## RISK AND PERMANENT CONTROL

In 2017, the Risk Function continued to strengthen its vertical organisational integration through various projects and the creation and/or reorganisation of certain departments.

The deployment of the new operational risk management model at the Group level continued. This model is based on a hybrid structure with, on the one hand, decentralised teams within the businesses, under the responsibility of the Risk Officers of these businesses, working closely with the processes, operational staff and systems and on the other, a central structure with a steering and coordination role providing support to the local teams on subjects requiring specific expertise (for example: fraud prevention or the management of risks related to the supply of products and services by third parties).

In this context, the Group Risk ORC central team was reorganised and strengthened its staff in order to carry out these missions.

Finalising the implementation of this system will be given special attention in 2018, in order to make any necessary adjustments to ensure homogeneity and efficiency. As planned under this new model, the Risk Function also saw the creation of the Risk ORC iCT Department, in charge of defining the Group's policy on management of technological and data protection risks, in particular to anticipate the main risks in cyber security. This team is also responsible for managing the risks related to the business continuity plans of the Group's various operating entities.

Other projects under this model, such as the review of a part of the procedural corpus for operational risks and the launch of developments to the related information systems, were conducted in 2017 and will continue in 2018.

In February 2017, Group Finance, Risk, and ALM Treasury created a joint team to bring together their Stress Testing expertise. This team is responsible for coordinating the Group's Stress Testing efforts and thus promoting the consistency of methodologies between the different risk areas and between the financial dimensions ("P&L", liquidity and solvency), promoting the use of shared data sources, accelerating the streamlining of the information architecture systems, and encouraging the use of stress tests beyond regulatory requirements. The goal is to build, over three years, a platform that provides a central, flexible and industrialised service, accessible by the business lines and BNP Paribas Entities, for their local needs and for their contribution to Group financial year results. Important work has already begun, and the development of the associated infrastructure and tools will continue in 2018.

Since June 2017, this transformation has been driven by high-level governance involving the Chief Operating Officer, the CFO, the CRO and the Head of the ALM Treasury.

The Risk and Group Finance Functions have also continued to work together on:

- improving the Group's tools for managing the completeness, quality and consistency of data used for the purposes of monitoring or accounting and risk reporting (Basel Committee - BCBS 239);
- managing cross-functional projects for the Group to meet the regulatory and accounting developments.

In 2017, Risk was given the responsibility for providing the second line of defence in the field of data protection, as part of the implementation of the General Regulation on Data Protection within the Group (Regulation 2016). In this context, all the functions related to confidentiality and data protection will be attached to Risk.

In 2018, the main projects of the Risk Function will be:

- the continued deployment and integration of the organisational model for the Group's operational risk management activities, including issues related to cyber security and supporting the operational entities in connection with this deployment;
- the deployment of the second level system enabling compliance with the requirements on confidentiality and data protection required by the general regulations on data protection;
- supporting the transformation of the Group's business by evolving its own processes and integrating new relevant technologies to further advance the Group's risk management system;
- the implementation of new sites and/or projects enabling the Group to fully meet the expectations of its regulators and supervisory authorities.

### Risk management related to climate change

As a contribution to the Paris Agreement of November 2015 (COP 21), BNP Paribas made several commitments to combat global warming and support the energy transition in line with the 2°C trajectory. One of the decisions was to cease financing the extraction of coal, either via mining projects or through specialised coal mining companies without a diversification strategy, as well as coal-based power plant projects.

In order to guard against transition[1] risk, BNP Paribas has conducted a study on the risks associated with the energy transition. This study identified the main sectors and countries most impacted and established a typology of risks involved in the energy transition.

On the other hand, the Group announced in November 2015 that it would integrate the climate component into the methodology used to rate the projects and companies it finances. The Group is gradually beginning to systematise an internal carbon audit for the highest emitting sectors, including sensitivity of its clients' EBITDA to an internal carbon price, as well as a qualitative analysis of their carbon risks, in order to take into account the changes brought about by energy transition and the related risks in its financing decisions.

*(1) The transition risks result from the effects of the implementation of a low-carbon business model for economic players, through political, legal, technological and market developments. They can emerge in the form of financial and/or reputation risks.*

In 2017, BNP Paribas also committed to ending its relationships with those players whose principal activities are the exploration, distribution, marketing, or trading of natural gas, shale oil, and/or oil extracted from oil sands. Projects primarily dedicated to the transport and export of these hydrocarbons will also no longer be financed. In addition, the Group excludes all financing for exploration or gas or oil production projects in the Arctic.

Sectoral policies have also been strengthened to gradually integrate the carbon emissions related criteria. These policies concern all Group employees and since the end of 2012, 21,310 employees had received online training on at least one of these policies.

Regarding physical risks[1], the Group has launched a discussion process with other banks in the area and the ACPR (its supervisory authority). In 2018 this process should lead to a methodology to measure the exposure of the Group's customers to these risks.

In 2016, the Risk Function, for the first time, integrated the ESG risks in its Risk Appetite Statement with the introduction of monitoring indicators for the Group's energy mix. The Risk Function has also continued the integration of ESG criteria when renewing its credit and rating policies. This integration enables ESG criteria to be taken into account in lending decisions and, if necessary, adjusting the counterparty rating to "expert". In 2017, the Group also joined UNEP FI's initiative for banks to adopt the recommendations made by the Task Force on Climate-Related Financial Disclosure (TCFD) in order to establish a common stress testing methodology for climate change-related risks (transition risks and physical risks).

In order to ensure that ESG risk management tools are strictly applied in all entities, the Group has defined a CSR operational control plan.

Further information on risk management related to climate change is contained in Commitment 3 described in chapter 7 of the Registration document.

## PERIODIC CONTROL

In 2017, General Inspection continued its transformation in depth. The "RedesIGN" programme was launched in late 2015. It consisted of 14 projects, nine of which were completed in 2016 and five in 2017.

The manner in which missions are carried out was reviewed in 2016, with a re-defining of the approach and audit methods. Effective implementation by inspectors and auditors took place from January 2017. The feedback will enable a final phase of the communications support for the missions to be launched in 2018.

The General Inspection teams have been extensively involved in the project on mapping, Risk Assessment and construction of the audit plan in 2016 and 2017. The first step in redefining the structure and content principles of the audit universe led to the establishment of a new map of the units subject to audit (AU) in 2016.

In 2017, the General Inspection drafted the practical procedures for the new Risk Assessment, based on the risk taxonomy defined by the Risk Function. And each of the audit units has been the subject of an assessment comprising:

- the identity card of the AU (processes/products; regulatory framework; systems/applications, key business figures; significant changes from the previous period, regulatory changes expected over the following 18 months);
- assessment of inherent risk: (i) a rating is assigned to each of the applicable risk types, based on the auditor's judgement and supported by standard documentation and justifications, and (ii) a synthetic risk rating is determined for the AU;
- assessing the quality of the GRC (Governance, Risk Management, Internal Control): this involves a critical judgement based on various sources of information, including the reports of the missions of the General Inspection, external auditors and Supervisors, the closure of the recommendations issued during such missions, the Risk Assessment provided by the permanent control and control functions and analysis of incidents and fraud.

The rating assigned to the inherent risk is then combined with the GRC rating, which potentially mitigates the intrinsic risk and thus allows for a residual risk rating to be determined. The audit cycle applicable to each AU is based on the rating assigned to the residual risk. If the AU is accompanied by a specific regulatory audit cycle, the applicable cycle is the shortest period between the regulatory cycle and that resulting from the Risk Assessment.

The 2018 audit plan was determined based on the results of the Risk Assessment and constraints in terms of the audit cycle and asked.

The two main RedesIGn projections (Leading missions and Mapping/Risk Assessment/audit Plan) have served as deciding factor for a project to completely overhaul the core tool of the General Inspectorate, Unik. A new version was deployed at all the teams of the General Inspection during summer 2017.

In 2018, the GI projects will include:

- Streamlining the format of working papers and the media used to report results;
- Data management. In the continuity of the RedesIGn project, a permanent team has been created, with the aim of equipping the General Inspection with new technologies in order to increase the number of samples analysed during the missions and to change the manner in which mission are managed in an increasingly digitised environment.

The capacity of the General Inspection to carry out its transformation programme and to complete all its missions is based in part on the continued growth of its headcount, which reached 1,296 FTEs at 31 December 2017 (+ 5% in one year; +35% since late 2013) and on investments in training, with more than 12,300 days. Finally, the policy of promoting professional qualifications was continued, with a number of auditors certified also rising.

*(1) Physical risks are deemed to include all risks that are the result of either (i) more frequent and more intense natural disasters such as floods, storms, droughts and fires, or (ii) the increase in temperature or water levels.*

## INTERNAL CONTROL EMPLOYEES

At year-end 2017, the various internal control functions were supported by the following headcount numbers (FTE = Full Time Equivalents, year-end):

| | 2014 | 2015 | 2016 | 2017 | Change 2017/2016 |
|---|---|---|---|---|---|
| Compliance | 1,732 | 2,715 | 3,387 | 3,770 | + 11% |
| Legal | 1,331 | 1,650 | 1,754 | 1,752 | + 0% |
| Risk | 2,451 | 2,635 | 5,163 | 5,232 | + 1% |
| Periodic control | 1,027 | 1,104 | 1,236 | 1,296 | + 5% |
| **TOTAL** | **6,541** | **8,104** | **11,540** | **12,050** | **+ 4%** |



# INTERNAL CONTROL PROCEDURES RELATING TO PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

## ROLES AND RESPONSIBILITIES FOR PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

Under the authority of the Chief Operating Officer, it is responsible for preparing and processing accounting and financial information related to the Finance Function, including its missions, implemented with the contribution of all those working within the function, which are defined in a specific Charter. In particular it consists of:

- defining accounting policies and standards as well as management information principles and standards;
- preparing accounting information and ensuring their regulatory reporting;
- producing information used in solvency and liquidity ratios calculating the ratios themselves and preparing the regulatory reporting of them;
- preparing management information (achieved and forecast) and providing the necessary support for the financial policy;
- managing the risk associated with accounting and financial information (results, balance sheet, solvency and liquidity) by defining and implementing a permanent operational control system;
- managing the Group's financial structure;
- handling the Group's financial communication, ensuring that it is of good quality and well-perceived by the markets;
- overseeing the architecture, design and deployment of the financial information systems (results, balance sheet, solvency, liquidity);
- determining the organisation and operational processing of activities related to the Finance Function;
- defining and leading the organisation of the Finance Function;
- exercising a duty to alert Executive Management.

All of its missions, whether carried out directly or with other functions and the ALMT, requires those involved to be fully competent in their particular areas, or, in other words, to understand and check the information they produce and to comply with the required standards and time limits. Particular attention is paid to compliance, quality and integrity of the information used and data protection. Under the authority of the Group CFO the governance of the system as a whole relies on three basic principles : decentralising the Finance Function, separating the accounting and management information channels, and giving either operational areas (division/business line) or geographical areas (legal entities) responsibility for finance. In practical terms, the Finance Function discharges its responsibilities as follows:

- the Finance Function in each entity produces accounting and financial information and carries out the controls to ensure its reliability. The entity's Finance Department sends the information produced to the division/business line to which it is operationally attached;
- the divisions/business lines carry out a business analysis and check the data produced by the entities and improve its quality, for instance by reconciling, at their level, the accounting and management data;
- centrally, Group Finance prepares the reporting instructions distributed to all divisions/business lines and consolidated entities in order to ensure that the data is homogeneous and complies with the Group's rules. It gathers all the accounting and management information produced by the entities and approved by the divisions/business lines and assembles and consolidates these data for use by Executive Management or for communication to third parties.

## PRODUCING ACCOUNTING AND FINANCIAL INFORMATION

### Accounting policies and rules

The local financial statements for each entity are prepared following the accounting standards prevailing in the country where the entity carries on business, while the Group consolidated financial statements are prepared under IFRS (International Financial Reporting Standards) as adopted by the European Union.

Within Group Finance, the "Group Accounting Policies" Department defines the IFRS-based accounting principles to be applied to the Group as a whole. It monitors changes to regulations and interprets them as necessary by issuing new principles. A manual of the Group IFRS accounting principles is available to the divisions/business lines and accounting entities via the BNP Paribas intranet. It is regularly updated to reflect regulatory changes.

In addition, the "Group Accounting Policies" Department also responds to requests from the divisions/business lines or accounting entities for specific accounting studies, particularly when a new financial product or transaction is designed or recorded in the accounts.

Lastly, a dedicated Department within Group Finance prepares management information policies and principles. Its work is based on the needs identified by the management channel. These principles and standards can also be accessed using internal network tools (intranet).

The accounting policies and rules associated with solvency are within the remit of the Risk Function, and those associated with liquidity are within the remit of ALM Treasury.

### The process of preparing information

There are two distinct reporting channels involved in the process of preparing information:

- the accounting channel : the particular responsibility of the accounting channel is to perform the entities' financial and cost accounting, and to prepare the Group's consolidated financial statements in compliance with accounting policies and standards. It also produces related information on solvency and liquidity, ensuring that it is consistent with the accounting at each level. The channel certifies the reliability of the information produced by applying internal certification procedures (described below);

Moreover, as part of the Single Channel programme, systems for generating accounting refunds were enhanced with specific credit risk and liquidity data in addition to the accounting and analytical data already present. This development, coupled with the implementation of a shared reporting platform, currently being rolled out, will ultimately facilitate the achievement of financial and regulatory reporting requirements.

- the management channel : this channel prepares the management information (especially that from the divisions/business lines compiled from the data per entity) that is relevant to the economic management of activities, complying with the established internal principles and standards. It ensures the consistency of the management data with the accounting data, at every level. This channel is responsible for the preparation of solvency and liquidity ratios and for their analysis.

Group Finance designs, distributes and administers the reporting tools for the two channels. These tools are designed to suit the channels'individual objectives and necessary complementarity, and provide information for the entire Group. In particular, Group Finance promotes the use of standard accounting systems in Group entities. The systems are designed at Group level and progressively rolled out. This approach promotes the sharing of information and facilitates the implementation of cross-functional projects in the context of the development of pooled account processing and synthesis within the Group.

For the preparation of liquidity-related data, the Group has adopted the principle of integrating internal management data and those required for regulatory reporting, which is based on the following system:

- governance involving Finance, the ALM-Treasury and the Risk Function, both at Group level and at the level of the divisions/business lines and entities;
- policies and methodologies applicable as required by regulations;
- permanent tools and processes at the Group level and at the level of the divisions/business lines and entities;
- a dedicated Group tool ensuring data collection and the production of internal and regulatory reports.

This system ensures the production of regulatory reports on liquidity as well as internal monitoring indicators and contributes to reporting relating to the bank resolution.

## PERMANENT CONTROL OF ACCOUNTING AND FINANCIAL INFORMATION

### Internal control within the Finance Function

To enable it to monitor management of the risk associated with accounting and financial information centrally, Group Finance has a Group Control & Certification Department, which has the following key responsibilities:

- defining the Group's policy as regards the accounting internal control system. This system requires accounting entities to follow rules in organising their accounting internal control environments and to implement key controls ensuring that the information in their consolidation packages is reliable. The Group has issued internal accounting control guidelines for use by the consolidated entities and a standard accounting control plan listing the major mandatory controls aimed at covering the accounting risk;
- ensuring that the internal control environment for accounting and financial information functions properly within the Group, in particular via the procedure for internal certification of accounts described below; to report quarterly to Executive Management and the Board's Financial Statements Committee on the quality of the Group's financial statements;
- ensuring, with the Risk Function, that the systems for collecting and processing consolidated credit-risk reports function correctly, in particular using a specific certification process as well as quality indicators;
- monitoring the implementation by entities of recommendations from the Statutory Auditors and from General Inspection relating to the accounting risk, with the support of the divisions/business lines. This monitoring is facilitated by use of dedicated tools that enable each entity to monitor the recommendations made to it and to regularly report on the progress made on the various action plans. Centralised monitoring of these recommendations enables Group Finance to identify improvements to the accounting internal control system made within the consolidated entities, identify any cross-functional problems and, if necessary, revise the Group-level procedures and instructions.

For the Accounting channel, central control teams pass these tasks to the Finance Departments in the divisions/business lines, which supervise the entities closely and, if necessary, implement accounting controls geared to their specific situation.

Finally, depending on the size of the entities, correspondents or staff, the implementation of the Group's accounting internal control principles leads to the setting-up of dedicated accounting control teams by the entities' Finance Departments. As such, the Group's established approach, in which the reporting production tasks are consolidated on regional platforms (improving the harmonisation of the reporting and control processes and increasing their efficiency for the entities concerned), also ensures that the accounting control teams are the appropriate size and have the necessary expertise. The key responsibilities of these local teams are as follows:

- providing a link between Finance and the back offices that sends data to the accounting system, for instance, by verifying that the back offices have the information they need for their accountancy work (e.g. training in the accounting tools provided; knowledge about the accounting structure, etc.);
- implementing the second-level accounting controls within all entities within their scope. In a decentralised accounting framework, these controls complete the first level controls carried out by back offices, and particularly rely on accounting control tools that, for example, make it possible, in the case of each account, to identify the Department responsible for its justification and control, to reconcile the balances recorded in the accounting system with the balances in the operational systems for each business, and to identify, justify and monitor the clearing of suspense accounts;
- coordinating the "elementary certification" process (described below) requiring an entity's different Departments to report on the controls that they have carried out;
- to ensure that the accounting internal control system enables the entity's Finance Department to have sufficient oversight of the process of preparation of account summaries, and in particular over all the elements necessary for the Group's certification process (described below). To assist in achieving this objective, the tasks involved in accounts closure are formally defined. The use of tools to map the processes and associated risks, and to document the checks as well as the coordination with other control channels contributes to improving the quality.

## Internal Certification Process

### At Group level

Group Finance uses FACT (Finance Accounting Control Tool) for the internal certification of the quarterly data produced by each entity for the consolidation package; for the validation performed within the Finance Departments of divisions/business lines; and for the consolidation process for which the Group Reporting Department within Group Finance is responsible.

The Head of Finance in each entity concerned certifies to Group Finance that:

- the data transmitted has been prepared in accordance with the Group's norms and standards;
- the accounting internal control system guarantees its quality and reliability.

The main certificate completed by the entities consolidated by global integration reproduces the results of all of the major controls defined in the Group's accounting control plan, and leads to the determination of a rating for each entity. Entities consolidated by the equity method complete an appropriate certificate. Finally, non-consolidated entities are the subject of an annual simplified certification procedure.

This internal certification process forms part of the Group's monitoring system for Internal control and enables Group Finance, which has the overall responsibility for the preparation and quality of the Group's consolidated financial statements, to be informed of any problems in the financial statements and to monitor the entities'implementation of appropriate corrective measures. A report on this procedure is presented to Executive Management and to the Financial Statements Committee of the Board of Directors at the close of the Group's quarterly consolidated accounts.

The certification system is also used in liaison with the Risk Function for information used in the regulatory reporting on credit risk and the solvency ratio. Those contributing to the reports attest that they have complied with the standards and procedures and that the data used is of appropriate quality. They further describe the results of the controls carried out at the various stages of producing the reports, including the accounting data to credit-risk data reconciliation.

On the same principles, a certification system is in place for the reporting of liquidity-related data. The various contributors report on the compliance of the data transmitted with the standards, and the results of key controls performed to ensure the quality of reporting.

### At entity level

In order to ensure the oversight of all the processes of preparation of accounting information at the level of each entity's Finance Department, Group Control & Certification recommends implementing an "elementary certification" (or "sub-certification") process for accounting data whenever the processing of transactions and the preparation of accounting and financial data are organised in a decentralised way that makes such a process necessary.

This is a process whereby providers of information used to compile the accounting and financial data (e.g. : middle office, back office, Human Resources, Accounts Payable, etc.) formally certify that the basic controls designed to ensure the reliability of the accounting and financial data for which they are responsible are working effectively. The elementary certificates are sent to the local Finance Department, which analyses them in combination with the accounting controls that it exercises directly, prepares a summary report intended to be used to prepare the main certificate, and liaises with the various players in order to monitor points requiring attention.

The FACT application also makes it possible to automate this sub-certification process by providing entities with a dedicated environment in which they can directly manage the processes set up at their level.

### Control of the value of financial instruments and the use of valuation in determining the results of market activities and accounting reports

Group Finance is responsible for producing and ensuring the quality of the Group's accounting and management information. It delegates the production and control of market values or models for financial instruments to specialists in this area, who thus form a single, integrated channel for valuing such instruments. The processes covered include:

- verifying the appropriateness of the valuation system as part of the approval process for new transactions or activities;
- verifying the proper recording of transactions in the systems and ensuring it is appropriate with the valuation methodologies;
- verifying the development and approval mechanism independent of the valuation methods;
- determining the market parameters and the procedure for an independent verification of these parameters;
- determining valuation adjustments for market, liquidity and counterparty risks;
- classifying instruments within the fair value hierarchy, determining day one profit adjustments, estimating the sensitivity of level 3 valuations to valuation assumptions.

Through appropriate processes and tools, the channel's objectives are to ensure both the correctness and the reliability of the process for valuing financial instruments, and the quality and comprehensiveness of the control system. It can thus provide the appropriate data to the various decision-making bodies, data that also informs the operational processes for compiling the accounting and management results, and ensures the transparency of annexes dedicated to fair value.

The control exercised by the valuation channel which involves all players is supervised by the Finance Function and has its own governance framework. This control system is based on a set of organisational principles defined in the Group's Internal Control Charter for each organisational level, i.e. Group, CIB and the main entities that account for market transactions.

The Finance Function uses dedicated teams in CIB Methodology & Financial Control – Capital Markets (CIB MFC-CM) to ensure the system functions correctly and supervise the entire process. The Finance Function decides on the information that must be reported by the various players: this comprises both quantitative and qualitative data indicating trends in different businesses as well as the results and quality of upstream controls carried out.

Several committees that meet on a quarterly or monthly basis are set up to bring all of the players together to review and examine, for each process and business line, the methods used and/or the results of the controls conducted. These committees'operating methods are governed by procedures approved by the Finance Function, ensuring that the Finance Function takes part in the main choices and arbitrations. Lastly, the CIB MFC-CM reports at each accounting quarter-end to the Product Financial Control Committee (PFC), an arbitration and decision-making committee chaired by the Group Chief Financial Officer, on its work, and informs the committee of the points of arbitration or attention concerning the effectiveness of the controls and the reliability of the result measurement and determination process. This committee meets quarterly and brings together the business lines, Group Finance, the Finance Function of the divisions concerned, ALM-Treasury and the Risk Function. There are also Intermediary Committees ("Intermediary PFC"), which define priorities for projects, monitor their implementation and perform in-depth reviews of selected technical aspects.

### Development of the system

The control system is continuously adapted to the Group's requirements. The procedures described form part of an evolving system that aims to guarantee an adequate level of control throughout the Group.

In particular, the quality of the accounting certification process is regularly reviewed with the divisions/business lines, for instance with the preparation of quantitative indicators for some controls, targeted cross-functional reviews of a major control and *ad hoc* reviews with the divisions/business lines on specific points for improvement in various areas. These reviews are supplemented by presentations to the various committees in the Finance channel, on-site visits and training sessions. Group procedures clarifying some major controls, and detailed instructions aimed at ensuring consistent responses and adequately-documented processes are also distributed. These Group procedures and instructions are extended where necessary at divisions/business lines level to cover issues specific to them.

Similarly, the certification system of the data contributing to the calculation of the capital adequacy ratio is subject to adjustment in order to take into account developments in the processes and the organisation, and to capitalise on indicators and controls in place in the various sectors in connection with the improvement programme on the reporting and the quality of the data mentioned below.

In addition, as part of the programme undertaken in respect of liquidity reporting, changes in processes and tools are carried out regularly in order to adapt to the new demands of regulatory reporting, and specific actions are taken with the various contributors in order to enhance the quality and controls for the channel.

Lastly, the programme initiated by the Group to ensure compliance with the principles set by the Basel Committee for effective risk data aggregation and risk reporting continues to be implemented. The purpose of this is to renew and improve the reporting of various risks (credit, market, liquidity, operational), and to increase the quality and integrity of the data involved. Organised in different areas, the programme made it possible to launch multi-annual action plans in the Group divisions/business lines, in order to achieve a high quality level for critical data, and to deploy the principles of governance in the divisions/business lines, especially with the appointment of Chief Data Officers (CDOs). Each CDO is responsible, within his scope, for defining the strategy as a whole and implementing the process as well as ensuring its monitoring over time.

## PERIODIC CONTROL

General Inspection has a team of inspectors who are specialists in accounting and financial audit. This reflects the General Inspection's strategy of strengthening audit capability in accountancy, as regards both the technical complexity of its work and its coverage of accounting risk.

Its action plan is based on the remote accounting internal control tools available to Group Finance and the risk assessment set up by General Inspection.

The core aims of the team are as follows:

- establishing a hub of accounting and financial expertise in order to reinforce the capability of General Inspection when carrying out inspections in such areas;
- disseminating internal audit best practices and standardising the quality of audit work throughout the Group;
- identifying and inspecting areas of accounting risk at Group level.

## RELATIONS WITH THE STATUTORY AUDITORS

Each year, as part of their statutory assignment, the Statutory Auditors issue a report in which they give their opinion concerning the consistency and fairness of the consolidated financial statements of the BNP Paribas Group as well as the annual financial statements of the Group's companies. The Statutory Auditors also carry out limited reviews on the closing of the half-yearly accounts, and specific tasks in relation to the quarterly accounts.

As part of their statutory audit assignment:

- they examine any significant changes in accounting standards and present their opinions to the Financial Statements Committee concerning the accounting choices with a material impact;
- they present their conclusions to the Finance Functions in the entities/business lines/divisions and Group Finance Functions, and in particular any observations and recommendations to improve certain aspects of the internal control system that contributes to the preparation of the accounting and financial information that they reviewed during their audit.

## FINANCIAL COMMUNICATION (PRESS RELEASES, SPECIAL PRESENTATIONS, ETC.)

Financial communication for publication is written by the Investor Relations and Financial Information Department within Group Finance. It is directed at retail and institutional shareholders, financial analysts and rating agencies, and presents the Group's different activities, explains its results and describes its development strategy, while maintaining the financial information homogenous with that used at an internal level.

The team, which reports to Executive Management and the Chief Financial Officer, devises the format in which financial information is published by the BNP Paribas Group. It works with the divisions and functions to prepare the presentation of financial results, strategic projects and specific topics. It distributes them to the financial community.

The Statutory Auditors are associated with the validation and review phase of communications relating to the closing of quarterly, half-yearly or annual financial statements, before their presentation to the Financial Statements Committee and to the Board of Directors, who approve them.

# 3 2017 REVIEW OF OPERATIONS

# 3.1 BNP Paribas consolidated results

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **43,161** | **43,411** | **-0.6%** |
| Operating Expenses and Dep. | (29,944) | (29,378) | +1.9% |
| **Gross Operating Income** | **13,217** | **14,033** | **-5.8%** |
| Cost of Risk | (2,907) | (3,262) | -10.9% |
| **Operating income** | **10,310** | **10,771** | **-4.3%** |
| Share of Earnings of Equity-Method Entities | 713 | 633 | +12.6% |
| Other Non Operating Items | 287 | (194) | n.s. |
| **Non Operating Items** | **1,000** | **439** | **n.s.** |
| **Pre-Tax Items** | **11,310** | **11,210** | **+0.9%** |
| Corporate Income Tax | (3,103) | (3,095) | +0.3% |
| Net Income Attributable to Minority Interests | (448) | (413) | +8.5% |
| **Net Income Attributable to Equity Holders** | **7,759** | **7,702** | **+0.7%** |
| **Cost/Income** | **69.4%** | **67.7%** | **+1.7 pt** |



## GOOD PERFORMANCE OF THE GROUP IN 2017 AND PROMISING START OF THE 2020 BUSINESS DEVELOPMENT PLAN

In 2017, BNP Paribas got off to a good start of its 2020 plan. In a lacklustre interest rate and market environment, the business activity of the Group developed vigorously sustained by a gradually stronger European growth.

Revenues totalled EUR 43,161 million, down by 0.6% compared to 2016, which included an exceptional impact of +EUR 597 million in capital gains from the sale of Visa Europe shares while it only included this year +EUR 233 million in capital gains from the sale of Shinan and Euronext shares. Separately, the Own Credit Adjustment (OCA) and own credit risk included in derivatives (DVA) totalled -EUR 175 million (compared to –EUR 59 million in 2016). Excluding these exceptional items, revenues were up by 0.5%.

Revenues were up by 1.5% in the operating divisions despite an unfavourable foreign exchange effect (+2.6% at constant scope and exchange rates): they were stable in Domestic Markets[(1)] (-0.6% at constant scope and exchange rates) due to the low interest rate environment, despite good business development; they were up by 2.7% at International Financial Services (+4.8% at constant scope and exchange rates), driven by the development of the businesses; they rose by 2.1% at CIB (+3.8% at constant scope and exchange rates) thanks to good business growth and despite the lacklustre market environment in the second half of the year.

The Group's operating expenses, which amounted to EUR 29,944 million, were up by 1.9% compared to 2016. They included the exceptional impact of EUR 101 million in the acquisitions' restructuring costs[(2)] (EUR 158 million in 2016) and EUR 856 million in transformation costs (EUR 539 million in 2016). They included in 2016 a 52 million euro compulsory contribution to the resolution process of four Italian banks.

The operating expenses of the operating divisions rose by only 0.5% compared to 2016 thanks to the effects of the cost saving measures: they were down by 0.4% for CIB[(3)] where the transformation plan was launched as early as 2016, declined by 0.1%[(4)] for Domestic Markets[(1)] thanks in particular to the decrease in the Retail Banking networks and rose by 1.9%[(5)] for International Financial Services as a result of increased business. The jaws effect was positive in all the operating divisions.

*(1) Including 100% of Private Banking in the domestic networks (excluding PEL/CEL effects).*

*(2) In particular, LaSer, Bank BGZ, DAB Bank and GE LLD.*

*(3) +1.8% at constant scope and exchange rates.*

*(4) -0.8% at constant scope and exchange rates.*

*(5) +3.7% at constant scope and exchange rates.*

The Group's gross operating income was thus down by 5.8%, at EUR 13,217 million. It was up by 3.8% for the operating divisions (+4.9% at constant scope and exchange rates).

The cost of risk was down again (-10.9%) at EUR 2,907 million (EUR 3,262 million in 2016) or 39 basis points of outstanding customer loans. This low level is due in particular to the good control of risk at loan origination, the low interest rate environment and the continued improvement in Italy thanks to the repositioning on better corporate clients.

The Group's operating income, which totalled EUR 10,310 million (EUR 10,771 million in 2016), was thus down by 4.3% but up by 9.0% for the operating divisions.

Non-operating items totalled EUR 1,000 million (EUR 439 million in 2016). They included this year, in addition to a higher income contribution from the associated companies, the exceptional impact of the +326 million euro capital gain resulting from the initial public offering of SBI Life[1] as well as the full impairment of TEB's goodwill for -EUR 172 million. They included in 2016 -EUR 127 million for BGZ's full goodwill impairment.

Pre-tax income, which came to 11,310 million (EUR 11,210 million in 2016), was thus up by 0.9%. It was up by 13.4% for the operating divisions: +4.7% at Domestic Markets[2], +18.2% at International Financial Services and at +14.6% at CIB.

Net income attributable to equity holders was EUR 7,759 million, up by 0.7% compared to 2016. Excluding exceptional items[3], it came to EUR 8,149 million (+4.4%). The return on equity was 8.9% (9.4% excluding exceptional items). The return on tangible equity came to 10.5% (11.0% excluding exceptional items). The net earnings per share was at €6.05.

As at 31 December 2017, the fully loaded Basel 3 common equity Tier 1 ratio[4] was 11.8% (11.5% as at 31 December 2016). The fully loaded Basel 3 leverage ratio[5] came to 4.6%. The Liquidity Coverage Ratio was 121% as at 31 December 2017. Lastly, the Group's immediately available liquidity reserve was EUR 285 billion, equivalent to over one year of room to manoeuvre in terms of wholesale funding.

The net book value per share reached 75.1 euros, equivalent to a compounded annual growth rate of 5.7% since 31 December 2008, illustrating the continuous value creation throughout the cycle.

The Board of Directors will propose at the Shareholders' Meeting the payment of a dividend of €3.02 per share (+11.9% compared to 2016) to be paid in cash, equivalent to a 50% pay-out ratio which is in line with the plan.

The Group is actively implementing the 2020 transformation plan, an ambitious programme of new customer experiences, digital transformation and operating efficiency.

The good overall performance of the operating divisions this year illustrates the promising start to the plan. The Group thus confirms its 2020 targets and aims at a return on equity above 10% at that time.

The Group continues to strengthen its internal control and compliance systems. It also pursues an ambitious corporate social and environmental responsibility policy designed to have a positive impact on society: it thus created this year a Company Engagement Department in order to reinforce its actions in this field.

**Capital allocation**

Revenue from the capital allocated to each division is included in the division's profit and loss account. The capital allocated to each division corresponds to the amount required to comply with CRD IV regulation, also known as Basel 3, and is based on 11% of risk-weighted assets.

Risk-weighted assets are calculated as the sum of:

- the risk-weighted assets for credit and counterparty risk, calculated using the standard approach or the Internal Ratings Based Approach (IRBA) depending on the particular entity or business activity;
- the regulatory capital requirement for market risks, for adjustment of credit valuation and for operational risk, multiplied by 12.5.

Moreover, elements that are deducted from Tier 1 capital are allocated to each division.

Last, the capital allocated to the insurance business is based on the minimum solvency capital requirement as defined by Solvency II.



*(1) Sale of a 4% stake in SBI Life at a price of 700 rupees per share.*

*(2) Including 2/3 of Private Banking in the domestic networks (excluding PEL/CEL effects).*

*(3) Effect of exceptional items after tax: -EUR 390 million (-EUR 100 million in 2016).*

*(4) Ratio taking into account all the CRD4 rules with no transitory provisions.*

*(5) Ratio taking into account all the CRD4 rules at 2019 with no transitory provisions, calculated according to the delegated act of the European Commission dated 10 October 2014*

# 3.2 Core business results

## RETAIL BANKING & SERVICES

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **31,045** | **30,651** | **+1.3%** |
| Operating Expenses and Dep. | (20,044) | (19,880) | +0.8% |
| **Gross Operating Income** | **11,001** | **10,771** | **+2.1%** |
| Cost of Risk | (2,705) | (3,005) | -10.0% |
| **Operating Income** | **8,296** | **7,765** | **+6.8%** |
| Share of Earnings of Equity-Method Entities | 622 | 530 | +17.3% |
| Other Non Operating Items | 443 | 10 | n.s. |
| **Pre-Tax Income** | **9,361** | **8,305** | **+12.7%** |
| Cost/Income | 64.6% | 64.9% | -0.3 pt |
| Allocated Equity *(€bn)* | 51.4 | 49.0 | +4.7% |

*Including 100% of Private Banking in France (excluding PEL/CEL effects), in Italy, Belgium, Luxembourg, at BancWest and TEB for the Revenues to Pre-tax income line items.*



## DOMESTIC MARKETS

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **15,718** | **15,715** | **+0.0%** |
| Operating Expenses and Dep. | (10,620) | (10,629) | -0.1% |
| **Gross Operating Income** | **5,098** | **5,086** | **+0.2%** |
| Cost of Risk | (1,356) | (1,515) | -10.5% |
| **Operating Income** | **3,743** | **3,572** | **+4.8%** |
| Share of Earnings of Equity-Method Entities | 62 | 54 | +13.4% |
| Other Non Operating Items | 10 | 2 | n.s. |
| **Pre-Tax income** | **3,814** | **3,628** | **+5.1%** |
| Income Attributable to Wealth and Asset Management | (273) | (246) | +10.9% |
| **Pre-Tax Income of Domestic Markets** | **3,541** | **3,382** | **+4.7%** |
| Cost/Income | 67.6% | 67.6% | +0.0 pt |
| Allocated Equity *(€bn)* | 24.6 | 23.0 | +6.9% |

*Including 100% of Private Banking in France (excluding PEL/CEL effects), Italy, Belgium and Luxembourg for the Revenues to Pre-tax income line items.*

For the whole of 2017, Domestic Markets reported a good business drive. Outstanding loans rose by 5.9% compared to 2016 due to a good rise in loans in the Retail Banking network and the specialised businesses (Arval, Leasing Solutions). Deposits were up by 8.6% with strong growth across all countries. Private Banking reported a rise in its assets under management of 4.2% compared to its level as at 31 December 2016. *Hello bank!* continued its growth with 2.9 million clients at the end of 2017 and now accounts for 11.0% of revenues from individual clients[(1)].

The operating division is actively implementing the 2020 plan: it is adapting its offering to different banking uses with the acquisition this year of Compte-Nickel[(2)] in France which already has 800,000 accounts opened and completes the set up alongside *Hello bank!*, the integrated digital offering of Retail Banking and the branch network; it is reinventing customer journeys with, for example, the launch in France of *Welcome* (corporate onboarding) or *Finsy* (factoring); it is developing data use for the benefit of customers and of commercial performance; it is speeding up customer use of mobile banking services with the launch of new apps and expanding existing features, recording 51 million app visits in December 2017 (+38% compared to December 2016); it is launching innovative products to anticipate new needs such as *LyfPay*, a universal mobile payment solution or *Kintessia*, a Leasing Solutions' B-to-B marketplace; it is transforming the operating model to enhance efficiency by in particular simplifying and right-sizing the branch networks.

At EUR 15,718 million, revenues[(3)] were stable compared to 2016, the effect of the higher business being offset by the impact of low interest rates. The operating division reported higher fees in all its networks.

Operating expenses[(3)] (EUR 10,620 million) were down slightly by 0.1% compared to 2016, the average 1.4% decrease for FRB, BNL bc and BRB being offset by the impact of the development of the specialised businesses.

Gross operating income[(3)] thus rose by 0.2%, at EUR 5,098 million, compared to last year.

The cost of risk was down by 10.5% compared to 2016, in particular due to the continued decrease at BNL bc.

Thus, after allocating one-third of Domestic Markets Private Banking's net income to the Wealth Management business (International Financial Services division), the division reported pre-tax income[(4)] that was up 4.7% compared to 2016, at EUR 3,541 million.



## FRENCH RETAIL BANKING (FRB)

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **6,352** | **6,401** | **-0.8%** |
| *Incl. Net Interest Income* | *3,569* | *3,676* | *-2.9%* |
| *Incl. Commissions* | *2,783* | *2,725* | *+2.1%* |
| Operating Expenses and Dep. | (4,657) | (4,673) | -0.3% |
| **Gross Operating Income** | **1,695** | **1,728** | **-1.9%** |
| Cost of Risk | (331) | (342) | -3.3% |
| **Operating Income** | **1,365** | **1,386** | **-1.5%** |
| Non Operating Items | 1 | 3 | -62.4% |
| **Pre-Tax Income** | **1,366** | **1,389** | **-1.7%** |
| Income Attributable to Wealth and Asset Management | (153) | (138) | +11.0% |
| **Pre-Tax Income of French Retail Banking** | **1,213** | **1,251** | **-3.1%** |
| Cost/Income | 73.3% | 73.0% | +0.3 pt |
| Allocated Equity *(€bn)* | 9.4 | 8.7 | +7.8% |

*Including 100% of French Private Banking for the Revenues to Pre-tax income line items (excluding PEL/CEL effects).*

For the whole of 2017, FRB's reported a strong rebound in its business activity in the context of economic recovery in France. Outstanding loans rose by 8.0% compared to the low level in 2016 with sustained growth in loans to individual and corporate customers. Deposits rose by 12.0% compared to 2016, driven by strong growth in current account deposits. Life insurance reported good growth (rise of 4.2% in outstandings compared to 31 December 2016). The assets under management of Private Banking were up sharply (+7.6% compared to 31 December 2016) thanks to asset inflows drive.

*(1) FRB, BNL bc, BRB and Personal Investors, excluding private banking.*

*(2) Transaction finalised on 12 July 2017.*

*(3) Including 100% of Private Banking in France (excluding PEL/CEL effects), Italy, Belgium and Luxembourg.*

*(4) Excluding PEL/CEL effects (+EUR 19 million in 2017 vs –EUR 2 million in 2016).*

The business pursued its digital transformation and the development of new customer journeys, launching this year the new apps *Mes Comptes* and *Hello bank!* with new services and *Welcome* for corporate onboarding. It actively developed new mobile uses with 23 million contacts via mobile *apps* in December 2017 (+34% compared to December 2016).

FRB is also preparing the delayering of the network organisation with the gradual move from four to three management levels in the branch network in 2018 in order to decrease costs and optimise decision-making processes and customer satisfaction.

Revenues(1) totalled EUR 6,352 million, down by 0.8% compared to 2016. Net interest income(1) was down by 2.9%, the effect of persistently low interest rates being only partly offset by increased business. Fees(1) rose for their part by 2.1% with an increase in financial fees.

Operating expenses(1), at EUR 4,657 million, were down by 0.3% compared to 2016, reflecting good cost containment.

Gross operating income(1) thus came to EUR 1,695 million, down by 1.9% compared to last year.

The cost of risk(1) was still low, at EUR 331 million (EUR 342 million in 2016). It was 21 basis points of outstanding customer loans.

Thus, after allocating one-third of French Private Banking's net income to the Wealth Management business (International Financial Services division), FRB posted EUR 1,213 million in pre-tax income(2), down by 3.1% compared to 2016.



## BNL BANCA COMMERCIALE (BNL BC)

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **2,907** | **2,972** | **-2.2%** |
| Operating Expenses and Dep. | (1,801) | (1,885) | -4.5% |
| **Gross Operating Income** | **1,106** | **1,086** | **+1.8%** |
| Cost of Risk | (871) | (959) | -9.2% |
| **Operating Income** | **235** | **127** | **+85.2%** |
| Non Operating Items | 1 | 0 | n.s. |
| **Pre-Tax Income** | **236** | **127** | **+85.5%** |
| Income Attributable to Wealth and Asset Management | (44) | (37) | +18.7% |
| **Pre-Tax Income of BNL bc** | **192** | **90** | **n.s.** |
| Cost/Income | 62.0% | 63.4% | -1.4 pt |
| Allocated Equity *(€bn)* | 5.8 | 5.7 | +1.7% |

*Including 100% of Italian Private Banking for the Revenues to Pre-tax income line items.*

For the whole of 2017, BNL bc's business activity has been growing. Outstanding loans were up by 0.6% compared to 2016. Excluding the impact of the sale of a portfolio of non-performing loans in the first quarter 2017(3), they were up by 1.8%, driven by individual clients. Deposits rose by 9.5% with a sharp rise in current accounts. BNL bc delivered a good performance in off balance sheet savings: thanks in particular to good asset inflows, life insurance outstandings were up by 6.8% and mutual fund outstandings by 13.6% compared to 31 December 2016.

BNL bc also continued to develop new customer journeys and digital transformation, launching this year *MyAccounts@OneBank*, a new application for account opening of corporate clients' subsidiaries. The business is developing *chatbots*, automated services that respond to clients' frequent requests. BNL bc is also developing new mobile uses with already over 313,000 active users of its mobile *apps*.

Revenues(4) were down by 2.2% compared to 2016, to EUR 2,907 million. Net interest income(4) was down by 5.9% due to the persistently low interest rate environment. Fees(4) were up by 4.7% as a result of sustained growth in off balance sheet savings and Private Banking.

Operating expenses(4), at EUR 1,801 million, were down by 4.5%. Excluding the impact of non-recurring items in 2016(5), they were up by 0.7%, reflecting good cost control.

Gross operating income(4) thus totalled EUR 1,106 million, up by 1.8% compared to last year.

The cost of risk(4), at 111 basis points of outstanding customer loans, continued its downward move (-EUR 88 million compared to 2016) as a result of the improvement of the quality of the loan portfolio.

Thus, after allocating one-third of Italian Private Banking's net income to the Wealth Management business (International Financial Services division), BNL bc confirmed the gradual recovery of its profitability and generated EUR 192 million in pre-tax income, or a two-fold increase over the 2016 level (EUR 90 million).

*(1) Including 100% of Private Banking in France (excluding PEL/CEL effects).*

*(2) Excluding PEL/CEL impacts of EUR + 19 million versus EUR - 2 million in 2016.*

*(3) Sale of a portfolio of non-performing loans comprising corporates and mortgages loans for a total of EUR 1 billion.*

*(4) With 100% of Private Banking in Italy.*

*(5) Restructuring costs (EUR 50 million) and compulsory contribution to the resolution process of 4 Italian banks (EUR 47 million).*

## BELGIAN RETAIL BANKING (BRB)

| *In millions of euros* | 2017 | 2016 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **3,677** | **3,661** | **+0.4%** |
| Operating Expenses and Dep. | (2,554) | (2,582) | -1.1% |
| **Gross Operating Income** | **1,123** | **1,079** | **+4.0%** |
| Cost of Risk | (65) | (98) | -33.8% |
| **Operating Income** | **1,058** | **981** | **+7.8%** |
| Non Operating Items | 28 | 6 | n.s. |
| **Pre-Tax Income** | **1,085** | **987** | **+10.0%** |
| Income Attributable to Wealth and Asset Management | (73) | (69) | +5.3% |
| **Pre-Tax Income of Belgian Retail Banking** | **1,013** | **918** | **+10.3%** |
| Cost/Income | 69.5% | 70.5% | -1.0 pt |
| Allocated Equity *(€bn)* | 5.3 | 4.7 | +12.2% |

*Including 100% of Belgian Private Banking for the Revenues to Pre-tax income line items.*

For the whole of 2017, BRB reported sustained business activity. Loans were up by 6.1% compared to 2016 with good growth in loans to corporate customers and an increase in mortgages. Deposits rose by 3.2% thanks in particular to growth in current accounts. Off balance sheet savings outstandings grew by 3.4% compared to 31 December 2016.

The business also continued its digital transformation and to develop new customer journeys, launching this year *Itsme*(1), an app that gives customers a single digital ID which provides secure access to a very large number of mobile services. It also continued developing mobile uses with 1.3 million users of *Easy Banking* App and 24 million mobile app contacts in December 2017 (+49% compared to December 2016).

BRB's revenues(2) were up by 0.4% compared to 2016, at EUR 3,677 million: net interest income(2) was down by 1.6%, the growing impact of the low interest rate environment being only partly offset by growing volumes. Fees(2) were up by 6.7% due in particular to an increase in financial fees.

Operating expenses(2) were down by 1.1% compared to 2016, to EUR 2,554 million thanks to the effect of cost saving measures.

At EUR 1,123 million, gross operating income(2) was up by 4.0% compared to last year.

The cost of risk(2) was again very low this year, at 6 basis points of outstanding customer loans (EUR 65 million). It was EUR 98 million in 2016.

After allocating one-third of Belgian Private Banking's net income to the Wealth Management business (International Financial Services division), BRB generated EUR 1,013 million in pre-tax income, up by 10.3% compared to 2016.

## OTHER DOMESTIC MARKETS BUSINESS UNITS (ARVAL, LEASING SOLUTIONS, PERSONAL INVESTORS, COMPTE-NICKEL AND LUXEMBOURG RETAIL BANKING)

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **2,782** | **2,681** | **+3.8%** |
| Operating Expenses and Dep. | (1,608) | (1,488) | +8.1% |
| **Gross Operating Income** | **1,174** | **1,193** | **-1.6%** |
| Cost of Risk | (89) | (115) | -23.0% |
| **Operating Income** | **1,085** | **1,078** | **+0.7%** |
| Share of Earnings of Equity-Method Entities | 38 | 43 | -10.3% |
| Other Non Operating Items | 4 | 5 | -18.5% |
| **Pre-Tax Income** | **1,127** | **1,125** | **+0.2%** |
| Income Attributable to Wealth and Asset Management | (3) | (2) | +54.4% |
| **Pre-Tax Income of Other Domestic Markets** | **1,124** | **1,123** | **+0.1%** |
| Cost/Income | 57.8% | 55.5% | +2.3 pt |
| Allocated Equity *(€bn)* | 4.0 | 3.8 | +6.2% |

*Including 100% of Private Banking in Luxembourg for the Revenues to Pre-tax income line items.*

*(1) Developed within the Belgian Mobile ID consortium which comprises several telecoms operators and banks.*

*(2) With 100% of Private Banking in Belgium.*

For the whole of 2017, the specialised businesses of Domestic Markets continued their business development: the growth of Arval was sustained and the financed fleet (1.1 million vehicles) increased sharply (+7.7% compared to 2016); the financing outstandings of Leasing Solutions showed solid growth (+5.8%[1] compared to 2016); Personal Investors saw a good level of new client acquisition (+3.2% in Germany compared to 2016) and, lastly, Compte-Nickel, the acquisition of which was finalised on 12 July 2017, recorded 323,500 accounts opened, up 29% compared to last year.

Luxembourg Retail Banking's outstanding loans rose by 7.4% compared to 2016, with robust growth in mortgages and corporate loans, and deposits were up by 15.4% with strong inflows in particular in the corporate segment.



Overall, net banking income[2] of the five businesses were up by 3.8% compared to 2016, at EUR 2,782 million, driven in particular by Personal Investors and Arval.

Operating expenses[2] rose by 8.1% compared to 2016, at EUR 1,608 million, as a result of the development of these five growing businesses and the costs to launch new digital services, in particular at Leasing Solutions (*Kintessia*, a B-to-B marketplace; *So Easy*, online credit application) and Arval (*Integral Fleet*, online reporting; *Arval for me*, an online platform geared to individual customers).

The cost of risk[2] was down by EUR 26 million compared to 2016, at EUR 89 million.

Thus, the contribution of these five businesses units, after allocating one-third of Luxembourg Private Banking's net income to the Wealth Management business (International Financial Services division), was EUR 1,124 million (+0.1% compared to 2016).

## INTERNATIONAL FINANCIAL SERVICES

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **15,899** | **15,479** | **+2.7%** |
| Operating Expenses and Dep. | (9,722) | (9,544) | +1.9% |
| **Gross Operating Income** | **6,177** | **5,935** | **+4.1%** |
| Cost of Risk | (1,351) | (1,496) | -9.7% |
| **Operating Income** | **4,826** | **4,439** | **+8.7%** |
| Share of Earnings of Equity-Method Entities | 561 | 477 | +17.7% |
| Other Non Operating Items | 433 | 8 | n.s. |
| **Pre-Tax Income** | **5,820** | **4,924** | **+18.2%** |
| Cost/Income | 61.1% | 61.7% | -0.6 pt |
| Allocated Equity *(€bn)* | 26.8 | 26.1 | +2.8% |

For the whole of 2017, the International Financial Services' businesses reported a good business development: Personal Finance maintained a strong business drive and acquired, together with PSA, General Motors Europe's financing activities[3]; Europe-Mediterranean and BancWest continued their growth and the assets under management of the Wealth & Asset Management businesses were up by +4.0% compared to 31 December 2016, reaching EUR 1,051 billion thanks to good asset inflows in all the businesses.

The operating division actively implemented the 2020 plan: it is developing new partnerships generating growth at Personal Finance (Hyundai and Masmovil in Spain, TUI in France, XXXLutz in Austria) and in Insurance (extension of the partnership with Volkswagen Financial Services); it is optimising the customer experience with new features for Wealth Management's customer app and roll-out of electronic signature at Personal Finance; it is continuing to develop new technologies and new businesses with the acquisition by Asset Management of *Gambit*, a provider of digital investment advisory solutions (robo-advisory) and the launch by Personal Finance of new digital banks in Europe (*Hello bank! by Cetelem*); it is industrialising and enhancing operating efficiency with, for example, the implementation at Asset Management of *Aladdin*, an IT outsourcing solution developed by BlackRock.

The operating division also made several growth-enhancing acquisitions this year. In addition to the financing activities of General Motors Europe[3] in partnership with PSA (Personal Finance), it acquired Sevenday Finans AB in Sweden (Personal Finance), the remaining 50% stake in Cargeas in Italy (Insurance) and Strutt & Parker in the United Kingdom (Real Estate Services). These acquisitions are expected to contribute to the Group over EUR 700 million in revenues and roughly EUR 280 million in additional pre-tax income by 2020.

At EUR 15,899 million, revenues were up by 2.7% compared to 2016. At constant scope and exchange rates, they were up by 4.8% (unfavourable foreign exchange rate effects this year).

*(1) At constant scope and exchange rate.*

*(2) With 100% of Private Banking in Luxembourg.*

*(3) Acquisition finalised on 31 October 2017.*

Operating expenses (EUR 9,722 million) were up by 1.9% compared to last year (+3.7% at constant scope and exchange rates) as a result of the development of businesses. The operating division thus generated a positive 1.1 point jaws effect[(1)].

Gross operating income thus totalled EUR 6,177 million, up by 4.1% compared to 2016 (+6.7% at constant scope and exchange rates).

The cost of risk was at a low level, at EUR 1,351 million, down by 145 million compared to 2016.

The other non-operating items totalled EUR 433 million (EUR 8 million in 2016) and included the exceptional impact of the EUR 326 million capital gain resulting from the initial public offering of SBI Life, a major life-insurance player in India[(2)].

International Financial Services' pre-tax income thus increased significantly to EUR 5,820 million: +18.2% compared to 2016 (+12.2% at constant scope and exchange rates), reflecting the operating division's strong growth.

## PERSONAL FINANCE

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **4,923** | **4,679** | **+5.2%** |
| Operating Expenses and Dep. | (2,427) | (2,298) | +5.6% |
| **Gross Operating Income** | **2,496** | **2,381** | **+4.8%** |
| Cost of Risk | (1,009) | (979) | +3.0% |
| **Operating Income** | **1,487** | **1,401** | **+6.1%** |
| Share of Earnings of Equity-Method Entities | 91 | 42 | n.s. |
| Other Non Operating Items | 29 | (1) | n.s. |
| **Pre-Tax Income** | **1,607** | **1,442** | **+11.4%** |
| Cost/Income | 49.3% | 49.1% | +0.2 pt |
| Allocated Equity *(€bn)* | 5.8 | 4.9 | +17.3% |

For the whole of 2017, Personal Finance continued its strong growth. Outstanding loans grew by +12.2% compared to 2016, driven by a rise in demand in a favourable context in Europe and the effect of new partnerships. The business continued to develop partnerships, signing new agreements in the automotive sector with Kia and Hyundai in Spain, in new sectors (tourism with TUI in France, telecoms with Masmovil in Spain) and new countries (XXXLutz in Austria).

The business acquired in partnership with PSA the financing activities of General Motors Europe[(3)] which meet the financing needs of close to 1,800 dealers in 11 countries in Europe (outstandings of about EUR 9.4 billion at the end of 2017). Pursuant to the partnership agreement, BNP Paribas fully consolidates the entity.

Personal Finance continued to develop digital banking with the launch of an online bank in the Czech Republic, *Hello bank! by Cetelem*, which leverages its brand recognition as well as its large client base. The business continued innovating with the roll-out in several countries of electronic signature and new credit card features with more flexible renewable accounts.

Personal Finance's revenues were up by 5.2% compared to 2016, at EUR 4,923 million (+5.0% at constant scope and exchange rates), as a result of a rise in volumes and the positioning on products with a better risk profile. They were driven in particular by a strong drive in Italy, Spain and Belgium.

Operating expenses were up by 5.6% compared to 2016, at EUR 2,427 million. They were up by 4.4% at constant scope and exchange rates, in line with business development, producing a positive 0.6 point[(4)] margin improvement.

Gross operating income thus totalled EUR 2,496 million, up by 4.8% compared to 2016 (+5.6% at constant scope and exchange rates).

At EUR 1,009 million (EUR 979 million in 2016), the cost of risk was up by EUR 30 million due to the rise in outstanding customer loans. As a proportion of the loan portfolio, it continued to decline, at 147 basis points of outstandings (159 basis points in 2016) due to the low interest rate environment and the growing positioning on products with a better risk profile.

Personal Finance's pre-tax income was thus EUR 1,607 million, up by 11.4% compared to 2016 (+10.5% at constant scope and exchange rates), reflecting the strong growth of the business.

*(1) At constant scope and exchange rates.*

*(2) Sale of a 4% stake (IPO price of 700 rupees per share); 22% equity investment in SBI Life after the IPO.*

*(3) Acquisition completed on 31 October 2017.*

*(4) At constant scope and exchange rates.*

## EUROPE-MEDITERRANEAN

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **2,337** | **2,513** | **-7.0%** |
| Operating Expenses and Dep. | (1,661) | (1,705) | -2.6% |
| **Gross Operating Income** | **675** | **808** | **-16.5%** |
| Cost of Risk | (259) | (437) | -40.8% |
| **Operating Income** | **416** | **371** | **+12.2%** |
| Non Operating Items | 202 | 197 | +2.7% |
| **Pre-Tax Income** | **619** | **568** | **+8.9%** |
| Income Attributable to Wealth and Asset Management | (2) | (2) | +1.4% |
| **Pre-Tax Income of Europe-Mediterranean** | **616** | **566** | **+8.9%** |
| Cost/Income | 71.1% | 67.8% | +3.3 pt |
| Allocated Equity *(€bn)* | 4.9 | 5.2 | -5.7% |

*Including 100% of Turkish Private Banking for the Revenue to Pre-tax income line items.*

For the whole of 2017, Europe-Mediterranean continued to grow. Outstanding loans rose by 5.2%(1) compared to 2016 with a rise in all regions and deposits grew by 7.2%(1). There was a good development of the digital offering with already over 475,000 clients for *Cepteteb* in Turkey and 210,000 clients for *BGZ OPTIMA* in Poland. The business also continued its innovations with the launch by BGZ BNP Paribas in Poland of contactless payment via mobile and of *Gomobile*, an app to manage accounts on mobile.

At EUR 2,337 million, revenues(2) were up by 2.3%(1) compared to 2016, up in all regions in connection with higher volumes. It includes however the impact in Turkey of the rise in deposit rates not yet offset by the gradual repricing of loans.

Operating expenses(2), at EUR 1,661 million, rose by 4.6%(1) compared to last year, due to business development.

The cost of risk(2) totalled EUR 259 million (EUR 437 million in 2016), or 68 basis points of outstanding customer loans. It benefited from the positive impact of provision write-backs and improved risk, in particular in Turkey.

After allocating one-third of Turkish Private Banking's net income to the Wealth Management business, Europe-Mediterranean thus generated EUR 616 million in pre-tax income, up by 23.6%(3) compared to last year.

## BANCWEST

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **2,994** | **2,984** | **+0.3%** |
| Operating Expenses and Dep. | (2,035) | (2,038) | -0.1% |
| **Gross Operating Income** | **959** | **947** | **+1.3%** |
| Cost of Risk | (111) | (85) | +31.2% |
| **Operating Income** | **848** | **862** | **-1.6%** |
| Non Operating Items | 3 | 16 | -79.0% |
| **Pre-Tax Income** | **851** | **878** | **-3.0%** |
| Income Attributable to Wealth and Asset Management | (21) | (15) | +35.9% |
| **Pre-Tax Income of BancWest** | **830** | **862** | **-3.7%** |
| Cost/Income | 68.0% | 68.3% | -0.3 pt |
| Allocated Equity *(€bn)* | 6.4 | 6.3 | +0.7% |

*Including 100% of US Private Banking for the Revenues to Pre-tax income line items.*

*(1) At constant scope and exchange rates.*

*(2) With 100% of Private Banking in Turkey.*

*(3) At constant scope and exchange rates (+8.9% at historical scope and exchange rates given an unfavourable foreign exchange effect).*

For the whole of 2017, BancWest continued its good business drive. Loans were up by 6.1%[(1)] compared to 2016, with sustained growth in individual and corporate loans. Deposits were up by 9.9%[(1)] with a sharp growth in current and savings accounts. The assets under management of Private Banking (USD 13.1 billion as at 31 December 2017) were up by 11.4%[(1)] compared to 31 December 2016.

BancWest also continued to develop new usages with already 415,000 users of its banking services on mobile. The business also expanded its cooperations with the Group through the implementation of the *One Bank for Corporates'* approach and the centralisation at BancWest of the Group's cash management operations in the United States.

The year was also marked by the successful placement of 20.6% in First Hawaiian Bank in the market. Now 61.9% owned, it will continue to be fully consolidated so long as the Group maintains its control.

Revenues[(2)], at EUR 2,994 million, rose by 2.4%[(1)] compared to 2016. Excluding the effect of capital gains from the sale of securities and loans, which were significant in 2016, they rose by 5.1%[(1)] as a result of volume growth.

At EUR 2,035 million, operating expenses[(2)] rose by 1.8%[(1)] compared to 2016, reflecting good cost containment and generating a positive 0.6 point jaws effect.

The cost of risk[(2)] (EUR 111 million) was still low, at 17 basis points of outstanding customer loans (EUR 85 million in 2016).

Thus, after allocating one-third of U.S. Private Banking's net income to the Wealth Management business, BancWest generated EUR 830 million in pre-tax income, down by 1.5%[(3)] compared to 2016 but up by 8.5%[(4)] excluding the effect of capital gains from sales, reflecting the business's solid operating performance.



## INSURANCE AND WEALTH & ASSET MANAGEMENT

### INSURANCE

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **2,514** | **2,382** | **+5.6%** |
| Operating Expenses and Dep. | (1,251) | (1,201) | +4.2% |
| **Gross Operating Income** | **1,263** | **1,181** | **+7.0%** |
| Cost of Risk | 4 | 2 | +81.7% |
| **Operating Income** | **1,267** | **1,183** | **+7.1%** |
| Share of Earnings of Equity-Method Entities | 225 | 189 | +19.3% |
| Other Non Operating Items | 375 | (3) | n.s. |
| **Pre-Tax Income** | **1,867** | **1,369** | **+36.4%** |
| Cost/Income | 49.8% | 50.4% | -0.6 pt |
| Allocated Equity *(€bn)* | 7.8 | 7.5 | +4.2% |

*(1) At constant scope and exchange rates.*

*(2) With 100% of Private Banking in the United States.*

*(3) At constant scope and exchange rates (-3.7% at historical scope and exchange rates).*

*(4) At constant scope and exchange rates (+5.5% at historical scope and exchange rates).*

## WEALTH & ASSET MANAGEMENT

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **3,193** | **2,977** | **+7.3%** |
| Operating Expenses and Dep. | (2,387) | (2,341) | +2.0% |
| **Gross Operating Income** | **806** | **636** | **+26.8%** |
| Cost of Risk | 24 | 3 | n.s. |
| **Operating Income** | **831** | **639** | **+30.0%** |
| Share of Earnings of Equity-Method Entities | 48 | 46 | +3.0% |
| Other Non Operating Items | 21 | 0 | n.s. |
| **Pre-Tax Income** | **899** | **685** | **+31.2%** |
| Cost/Income | 74.7% | 78.6% | -3.9 pt |
| Allocated Equity *(€bn)* | 1.9 | 2.1 | -8.8% |

For the whole of 2017, the Insurance and Wealth & Asset Management businesses continued their growth. As at 31 December 2017, their assets under management[1] reached EUR 1,051 billion (+4.0% compared to 31 December 2016). They rose by EUR 41 billion compared to 31 December 2016 due in particular to EUR 22.6 billion in net asset inflows (strong asset inflows at Wealth Management in particular in France and in Asia; positive net asset inflows in Asset Management, in particular into diversified and bond funds despite asset outflows from money market funds; good asset inflows in Insurance concentrated on unit-linked accounts) and a strong 44.7 billion euro performance effect due to the favourable evolution of the equity markets, partly offset by an unfavourable -25.6 billion euro foreign exchange effect.

As at 31 December 2017, assets under management[1] were split as follows: Asset Management (EUR 424 billion), Wealth Management (EUR 364 billion), Insurance (EUR 237 billion) and Real Estate Services (EUR 26 billion).

Insurance continued to develop its business, both in savings and protection insurance, with good growth in Europe and a strong drive in Asia and Latin America. The business developed and reinforced its partnerships by signing agreements with Sumitomo Mitsui in Japan, Volkswagen in Europe and Itau in Chile. It also carried out this year the initial public offering on excellent terms of SBI Life[2], a major player in life-insurance in India, thus valuing EUR 2 billion[3] the remaining 22% stake (which continues to be consolidated under the equity method).

Insurance's revenues, at EUR 2,514 million, were up by 5.6% compared to 2016, due to business development and the favourable evolution of financial markets. Operating expenses, at EUR 1,251 million, rose by 4.2%, as a result of business development. The other non-operating items totalled EUR 375 million (negligible in 2016) due to the exceptional impact of the capital gain from the sale of 4% of SBI Life. After taking into account the good performance of the associated companies, pre-tax income was thus up by 36.4% compared to 2016, at EUR 1,867 million (+9.0% at constant scope and exchange rates).

The business activity of Wealth and Asset Management was strong. The business continued to develop digital and new customer experiences with the purchase of *Gambit*, a provider of digital investment advisory solutions (robo-advisory) geared to retail banks and private banks in Europe. The quality of Wealth and Asset Management's offering was rewarded with the "Best Private Bank in Europe and in Asia" [4] prize. For its part, the Asset Management business adopted the single BNP Paribas Asset Management brand and continued its transformation. The Real Estate Services business added the acquisition of Strutt and Parker to its sustained organic growth.

Wealth and Asset Management's revenues (EUR 3,193 million) grew by 7.3% compared to 2016 as a result of the development of the businesses and very good performances of Wealth Management and Real Estate Services. Operating expenses were under good control, at EUR 2,387 million (+2.0% compared to 2016), generating a largely positive jaws effect. At EUR 899 million, Wealth and Asset Management's pre-tax income, after receiving one-third of the net income of Private Banking in the domestic markets, in Turkey and in the United States, was up by 31.2% compared to 2016, reflecting the very good overall performance of the Wealth and Asset Management businesses.

*(1) Including distributed assets.*

*(2) Sale of a 4% stake based on the IPO price of 700 rupees per share.*

*(3) Based on the IPO price.*

*(4) Wealth Briefing Awards 2017.*

## CORPORATE AND INSTITUTIONAL BANKING (CIB)

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **11,704** | **11,469** | **+2.1%** |
| Operating Expenses and Dep. | (8,273) | (8,309) | -0.4% |
| **Gross Operating Income** | **3,431** | **3,160** | **+8.6%** |
| Cost of Risk | (81) | (217) | -62.5% |
| **Operating Income** | **3,350** | **2,943** | **+13.8%** |
| Share of Earnings of Equity-Method Entities | 24 | 20 | +16.5% |
| Other Non Operating Items | 22 | (1) | n.s. |
| **Pre-Tax Income** | **3,395** | **2,962** | **+14.6%** |
| Cost/Income | 70.7% | 72.4% | -1.7 pt |
| Allocated Equity *(€bn)* | 21.1 | 22.2 | -4.9% |



### GLOBAL MARKETS

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **5,584** | **5,650** | **-1.2%** |
| *Incl. FICC* | *3,450* | *3,860* | *+10.6%* |
| *Incl. Equity & Prime Services* | *1,135* | *1,791* | *+19.2%* |
| Operating Expenses and Dep. | (4,255) | (4,355) | -2.3% |
| **Gross Operating Income** | **1,330** | **1,295** | **+2.7%** |
| Cost of Risk | (15) | 72 | n.s. |
| **Operating Income** | **1,315** | **1,367** | **-3.8%** |
| Share of Earnings of Equity-Method Entities | (3) | 8 | n.s. |
| Other Non Operating Items | 9 | (3) | n.s. |
| **Pre-Tax Income** | **1,321** | **1,372** | **-3.7%** |
| Cost/Income | 76.2% | 77.1% | -0.9 pt |
| Allocated Equity *(€bn)* | 7.8 | 9.0 | -13.2% |

### SECURITIES SERVICES

| *In millions of euros* | 2017 | 2016 | 2017/2017 |
|---|---|---|---|
| **Revenues** | **1,955** | **1,824** | **+7.2%** |
| Operating Expenses and Dep. | (1,588) | (1,503) | +5.7% |
| **Gross Operating Income** | **366** | **321** | **+14.1%** |
| Cost of Risk | 3 | 3 | -0.5% |
| **Operating Income** | **369** | **324** | **+13.9%** |
| Non Operating Items | 1 | 1 | +23.5% |
| **Pre-Tax Income** | **371** | **325** | **+14.0%** |
| Cost/Income | 81.3% | 82.4% | -1.1 pt |
| Allocated Equity *(€bn)* | 0.9 | 0.8 | +14.0% |

## CORPORATE BANKING

| *In millions of euros* | 2017 | 2016 | 2017/2016 |
|---|---|---|---|
| **Revenues** | **4,165** | **3,994** | **+4.3%** |
| Operating Expenses and Dep. | (2,430) | (2,451) | -0.8% |
| **Gross Operating Income** | **1,735** | **1,544** | **+12.4%** |
| Cost of Risk | (70) | (292) | -76.1% |
| **Operating Income** | **1,665** | **1,251** | **+33.1%** |
| Non Operating Items | 37 | 13 | n.s. |
| **Pre-Tax Income** | **1,703** | **1,265** | **+34.6%** |
| Cost/Income | 58.3% | 61.4% | -3.1 pt |
| Allocated Equity *(€bn)* | 12.4 | 12.4 | +0.0% |



For the whole of 2017, CIB reported solid business growth. The operating division operated though in a challenging market environment in the second half of the year.

CIB actively implemented the 2020 plan. The operating division is developing its base of corporate clients (with good revenue growth in targeted countries, +5.6% in Germany compared to 2016, and a gain of over 125 new client groups this year in Europe) and institutional clients (through the bolstering of the coordinated offering of the businesses), leveraging on the Group's global presence. It is implementing targeted growth initiatives, signing new partnerships (GTS in the United States to enhance the Global Markets offering to clients and Symphony, a secure communication platform including workflow automation tools for institutional clients which already has over 200,000 users), strengthening the integrated model between the businesses (developing joint Securities Services and Global Markets offerings) and rolling out new offerings. It is accelerating digital transformation with 150 digital projects identified and the development of digital client interfaces like Centric, the online platform for businesses that is already used by close to 8,200 clients.

The operating division reduced its cost income ratio by 1.7 points on the back of the implementation of cost saving programmes launched since 2016 (EUR 0.6 billion in savings in 2 years) including the development of shared platforms, the implementation of new end-to-end processes and the automation of certain tasks (250 cases of robotics uses identified). It optimised its financial resources by right-sizing sub-profitable portfolios and actively managing its outstandings (allocated equity down by 4.9% compared to 2016), with a gradual reallocation into growth of the resources thereby freed up. CIB thus made significant progress in achieving its 2020 objectives and increased its return on equity by 2.8 points compared to last year, at 16.1%[(1)].

Revenues of the operating division, at EUR 11,704 million, were up by 2.1% compared to 2016 despite an unfavourable foreign exchange effect (+3.8% at constant scope and exchange rates).

At EUR 5,584 million, Global Markets' revenues were down by 1.2% compared to 2016 but up by 0.8% at constant scope and exchange rates thanks to the continued strengthening of commercial positions partly offset by an unfavourable context for FICC[(2)] in the second half of the year. VaR, which measures market risks, was still very low (EUR 26 million). The revenues of FICC[(2)], at EUR 3,450 million, were down by 8.6%[(3)] compared to 2016 with low volatility and limited client volumes in all segments.

The business confirmed however its leading position in bond issues where it ranked number 1 for all bond issues in euros and number 9 for all international bond issues. At EUR 2,135 million, Equity and Prime Services' revenues rose for their part sharply (+20.9%[(3)]), driven by good development of Prime Services and a pick-up in the equity derivatives business.

The success of Exane BNP Paribas[(4)] was illustrated by its move into the number one position in Europe in the Extel 2017 ranking for equity research, brokerage and equity sales.

Securities Services' revenues, at EUR 1,955 million, were up by 7.2% compared to 2016 (+8.3% at constant scope and exchange rates), due to the very good drive of the business and the positive effect of the new mandates. Assets under custody and under management were thus up by 11.0% compared to 31 December 2016 and the number of transactions by 6.4% compared to last year. The business also continued to gain new significant mandates and announced a major strategic partnership in the United States with Janus Henderson Investors (138 billion U.S. dollars of assets under custody)[(5)].

Corporate Banking's revenues, at EUR 4,165 million, were up by 4.3% compared to 2016. They rose by 6.1% at constant scope and exchange rates and were up in the three regions with good growth in Europe, strong rise in Asia Pacific and a good level of business in the Americas region. The business reported solid growth in the transaction businesses: it ranked number 1 for the third year in a row in Trade Finance in Europe and number 3 for the first time in Asia[(6)]. At EUR 131 billion, loans were up

*(1) Pre-tax Return on Notional Equity.*

*(2) Fixed Income, Currencies, and Commodities.*

*(3) At constant scope and exchange rates.*

*(4) Consolidated under the equity method.*

*(5) Closing of the transaction expected in the first quarter 2018.*

*(6) Greenwich Share Leader survey.*

by 1.3% compared to 2016. Deposits continued to grow, at EUR 130 billion (+11.1% compared to 2016), as a result of the good development of cash management. The business ranked number 2 for syndicated loans and number 3 for equity linked issues in the EMEA region[(1)]. The good growth of the business and the strengthening of its commercial positions were thus illustrated this year by the *World Best Bank for Corporates* prize awarded by the *Euromoney* magazine.

At EUR 8,273 million, CIB's operating expenses were down by 0.4% (+1.8% at constant scope and exchange rates) compared to 2016, generating a positive 2 point[(2)] margin improvement. The effect of increased business is largely offset by cost saving measures launched as early as the beginning of 2016.

CIB's gross operating income was thus up significantly by 8.6%, at EUR 3,431 million (+9.2% at constant scope and exchange rates).

CIB's cost of risk was at a very low level, at EUR 81 million, down by EUR 136 million compared to 2016. Corporate Banking's cost of risk was EUR 70 million (EUR 292 million in 2016), or only 6 basis points of outstanding customer loans due to provision write-backs. Global Markets' cost of risk was EUR 15 million (EUR 72 million in net write-back in 2016).

CIB thus generated EUR 3,395 million in pre-tax income, up sharply by 14.6% compared to 2016 (+15.7% at constant scope and exchange rates), reflecting solid business growth combined with cost saving measures.



## CORPORATE CENTER

| *In millions of euros* | 2017 | 2016 |
|---|---|---|
| **Revenues** | **394** | **1,294** |
| Operating Expenses and Dep. | (1,627) | (1,189) |
| *Incl. Restructuring and Transformation Costs* | *(957)* | *(561)* |
| **Gross Operating Income** | **1,234** | **105** |
| Cost of Risk | (121) | (39) |
| **Operating Income** | **(1,355)** | **66** |
| Share of Earnings of Equity-Method Entities | 68 | 83 |
| Other Non Operating Items | (177) | (204) |
| **Pre-Tax Income** | **(1,464)** | **(55)** |

For the whole of 2017, Corporate Centre revenues totalled EUR 394 million compared to EUR 1,294 million in 2016. They included the exceptional impact in 2016 of +EUR 597 million in capital gains from the sale of Visa Europe shares while it included this year only +EUR 233 million in capital gains from the sale of Shinhan and Euronext shares. The Own Credit Adjustment (OCA) and own credit risk included in derivatives (DVA) totalled -EUR 175 million (compared to -EUR 59 million in 2016). As in 2016, Principal Investments made a very good contribution to revenues.

Operating expenses totalled EUR 1,627 million compared to EUR 1,189 million in 2016. They included the exceptional impact of EUR 101 million in the acquisitions' restructuring costs[(3)] (EUR 158 million in 2016) and EUR 856 million in transformation costs (they included 395 million in CIB adaptation costs in 2016).

The cost of risk totalled EUR 121 million (EUR 39 million in 2016).

Non-operating items totalled -EUR 177 million (-EUR 204 million in 2016). They included the exceptional impact of the impairment of the full amount of TEB's goodwill for -EUR 172 million (they included in 2016 -EUR 127 million in BGZ's goodwill impairment).

The Corporate Centre's pre-tax income was thus -EUR 1,464 million (-EUR 55 million in 2016).

*(1) Europe, Middle East, Africa.*

*(2) At constant scope and exchange rates.*

*(3) In particular, LaSer, Bank BGZ, DAB Bank and GE LLD.*

# 3.3 Balance sheet

## ASSETS

### OVERVIEW

The Group's consolidated assets amounted to EUR 1,960.3 billion at 31 December 2017, a decrease of 6% from EUR 2,077 billion at 31 December 2016. The main components of the Group's assets are cash and amounts due from central banks, financial assets at fair value through profit or loss, loans and receivables due from customers and credit institutions, available-for-sale financial assets, and accrued income and other assets, which together accounted for 96% of total assets at 31 December 2017 (unchanged from 31 December 2016). The 6% decrease in assets is mainly due to:

- a 15% or EUR 101.6 billion decrease in financial instruments at fair value through profit or loss, mainly due to the decrease in repurchase agreements and derivative financial instruments;
- a 13% or EUR 35.6 billion decrease in available-for-sale assets to EUR 232 billion at 31 December 2017;
- a 8% or EUR 8.8 billion decrease in accrued income and other assets to EUR 107.2 billion at 31 December 2017.

### CASH AND AMOUNTS DUE FROM CENTRAL BANKS

Cash and amounts due from central banks totaled EUR 178.4 billion at 31 December 2017, up 11% from EUR 160.4 billion at 31 December 2016.

### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss consist of trading transactions, derivatives and certain assets designated by the Group as at fair value through profit or loss at the time of acquisition. Financial assets carried in the trading book mainly include securities, loans and repurchase agreements. Assets designated by the Group as at fair value through profit or loss include in particular investments related to unit-linked insurance contracts, and, to a lesser extent, assets with embedded derivatives that have not been separated from the host contract.

These assets are remeasured at fair value at each balance sheet date.

Total financial assets at fair value through profit or loss decreased by 15% (or EUR 101.6 billion) compared with 31 December 2016. This decrease mainly reflects a 30% or EUR -97.9 billion decrease in derivative financial instruments to EUR 230.2 billion at 31 December 2017, a 6% or EUR 8.7 billion decrease in loans and repurchase agreements to EUR 143.6 billion at 31 December 2017 and a 3% or EUR 4.2 billion decrease in trading securities to EUR 119.5 billion at 31 December 2017. These decreases are partially offset by an 11% or EUR 9.3 billion increase in instruments designated at fair value through profit or loss to EUR 96.9 billion at 31 December 2017.

### AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are fixed-income and variable-income securities that are not managed in the same way as financial assets at fair value through profit or loss and, with respect to fixed-income instruments, are not intended to be held until maturity. These assets are remeasured at market or similar value through shareholders' equity at each balance sheet date.

Available-for-sale financial assets have decreased by EUR 35.6 billion between 31 December 2016 and 31 December 2017 to EUR 232 billion (net of provisions).

Impairment on available-for-sale financial assets decreased by EUR 0.5 billion to EUR 2.8 billion at 31 December 2017 from EUR 3.3 billion at 31 December 2016. Impairment provisions on available-for-sale financial assets are calculated at each balance sheet date. The unrealised gain on available-for-sale financial assets totals EUR 15.7 billion at 31 December 2017, compared with an unrealised gain of EUR 18.0 billion at 31 December 2016 (2.3 billion decrease).

### LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

Loans and receivables due from credit institutions (net of impairment provisions) amount to EUR 45.7 billion at 31 December 2017, down by EUR 1.7 billion compared with the amount at 31 December 2016, and are composed of demand deposits, interbank loans and repurchase agreements.

Demand deposits increased by 24% to EUR 8.1 billion at 31 December 2017, from EUR 6.5 billion at 31 December 2016. Loans due from credit institutions decreased by 4% to EUR 36 billion at 31 December 2017, from EUR 37.7 billion at 31 December 2016. Impairment provisions amount to EUR 0.1 billion at 31 December 2017, compared with EUR 0.2 billion at 31 December 2016.

### LOANS AND RECEIVABLES DUE FROM CUSTOMERS

Loans and receivables due from customers consist of demand accounts, loans to customers, repurchase agreements, and finance leases.

Loans and receivables due from customers (net of impairment provisions) amount to EUR 727.7 billion at 31 December 2017, up 2% from EUR 712.2 billion at 31 December 2016. This is attributable to the increase in customer loans (up 2% to EUR 677 billion at 31 December 2017, compared with EUR 663.3 billion at 31 December 2016), while on demand accounts decrease by 3% to EUR 44.4 billion at 31 December 2017. Finance leases increased by 6% compared with 31 December 2016, and amount to EUR 30.3 billion at 31 December 2017, and repurchase agreements decreased by EUR 1 billion from 31 December 2016 to EUR 0.7 billion at 31 December 2017. Impairment provisions decreased, amounting to EUR 24.7 billion at 31 December 2017, compared with EUR 27 billion at 31 December 2016.

### HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets are investments with fixed or determinable income and a fixed maturity that the Group has the intention and the ability to hold until maturity. They are recorded at amortised cost using the effective interest method. They are divided into two sub-categories: government bonds and treasury bills, and other fixed-income securities.

Held-to-maturity financial assets fell by 21%, from EUR 6.1 billion at 31 December 2016 to EUR 4.8 billion at 31 December 2017, principally due to the redemption of securities at maturity.

### ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets consist of the following: guarantee deposits and bank guarantees paid; settlement accounts related to securities transactions; collection accounts; reinsurers' share of technical reserves; accrued income and prepaid expenses; and other debtors and miscellaneous assets.

Accrued income and other assets decreased by 8%, to EUR 107.2 billion at 31 December 2017, from EUR 116 billion at 31 December 2016. This decrease is notably due to guarantee deposits and bank guarantees paid (EUR -9.5 billion or -14%). The sum of other accruals increased by EUR 0.7 billion (+1%).



## LIABILITIES (EXCLUDING CONSOLIDATED EQUITY)

### OVERVIEW

The Group's consolidated liabilities (excluding consolidated equity) stood at EUR 1,853 billion at 31 December 2017, down 6% from EUR 1,971.7 billion at 31 December 2016. The main components of the Group's liabilities are financial liabilities at fair value through profit or loss, amounts due to customers and credit institutions, debt securities, accrued expenses and other liabilities, and technical reserves of insurance companies. These items together accounted for 97% of the Group's total liabilities (excluding consolidated equity) at 31 December 2017 (unchanged from 31 December 2016). The 6% decrease in liabilities compared with the amount at 31 December 2016 is mainly attributable to:

- a 17% or EUR 103.4 billion decrease in financial liabilities at fair value through profit or loss to EUR 522.9 billion at 31 December 2017;
- a 3% or EUR 5.3 billion decrease in debt securities to EUR 148.2 billion at 31 December 2017;
- a 13% or EUR 13.3 billion decrease in accrued expenses and other liabilities to EUR 86.1 billion at 31 December 2017.

These variations are partly offset by a 5% or EUR 9.8 billion increase in technical reserves of insurance companies, to EUR 203.4 billion at 31 December 2017.

### FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The trading book contains mainly short selling of borrowed securities and trading in repurchase agreements and derivatives. Financial liabilities designated as at fair value through profit or loss consist mainly of originated and structured issues, where the risk exposure is managed in combination with the hedging strategy. These types of issues contain significant embedded derivatives, whose changes in value are compensated by changes in the value of the hedging instrument.

The total value of financial instruments at fair value through profit or loss decreased by 17% compared with 31 December 2016, due mainly to the 6% decrease in repurchase agreements, down EUR 11.1 billion, to EUR 172.2 billion at 31 December 2017 and the decrease by 28% of derivative instruments, to EUR 90.7 billion at 31 December 2017.

## AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions consist primarily of borrowings, and, to a lesser extent, demand deposits and repurchase agreements. Amounts due to credit institutions increased by EUR 0.8 billion to EUR 76.5 billion at 31 December 2017. Borrowings increased by 3% or EUR 1.7 billion, to EUR 61.9 billion at 31 December 2017; on demand accounts decreased by 8% or EUR 0.9 billion to EUR 9.9 billion at 31 December 2017, and repurchase agreements are stable at EUR 4.7 billion at 31 December 2017.

## AMOUNTS DUE TO CUSTOMERS

Amounts due to customers consist primarily of demand deposits, term accounts, savings accounts, and repurchase agreements. Amounts due to customers stand at EUR 766.9 billion at 31 December 2017, up EUR 0.9 billion compared with 31 December 2016. This rise is attributable to the 2.9% or EUR 12.9 billion increase in demand deposits to EUR 456.2 billion at 31 December 2017, and to the 0.8% or EUR 1.1 billion increase in savings accounts, partially offset by a 7% or EUR 12.2 billion decrease in term accounts, to EUR 162.8 billion at 31 December 2017. Repurchase agreements decreased by 38% and amount to EUR 1.5 billion at 31 December 2017.

## DEBT SECURITIES

Debt securities include negotiable certificates of deposit and bond issues. They do not include debt securities classified as financial liabilities at fair value through profit or loss (see note 4.a to the consolidated financial statements). Debt securities decreased from EUR 153.4 billion at 31 December 2016, to EUR 148.2 billion at 31 December 2017.

## SUBORDINATED DEBT

Subordinated debt amount to EUR 16 billion at 31 December 2017, down 13% from EUR 18.4 billion at 31 December 2016. This decrease of EUR 2.4 billion is mainly due to the redemption of subordinated debt at maturity for EUR 4.2 billion.

## ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following: guarantee deposits received, settlement accounts related to securities transactions, collection accounts, accrued expenses and deferred income, and other creditors and miscellaneous liabilities. Accrued expenses and other liabilities decreased by 13%, from EUR 99.4 billion at 31 December 2016 to EUR 86.1 billion at 31 December 2017. This decrease is mainly due to guarantee deposits received (down EUR 13.6 billion or 25%) and securities settlement accounts (down EUR 2.7 billion or 24%). The sum of other accruals increased by EUR 3 billion or 9%.

## TECHNICAL RESERVES OF INSURANCE COMPANIES

Technical reserves of insurance companies amount to EUR 203.4 billion at 31 December 2017, up 5% from EUR 193.6 billion at 31 December 2016, mainly due to the increase in liabilities related to insurance contracts.

# MINORITY INTERESTS

Minority interests increased by EUR 0.7 billion to EUR 5.2 billion at 31 December 2017, from EUR 4.6 billion at 31 December 2016. This increase is mainly due to movements in the consolidation scope which impact minority shareholders (+EUR 0.6 billion).

## SHAREHOLDERS' EQUITY

Shareholders' equity (before dividend pay-out) stood at EUR 102.0 billion at 31 December 2017, compared with EUR 100.7 billion at 31 December 2016. The EUR 1.3 billion increase is attributable mainly to the profit of the period which amounted to EUR 7.8 billion, offset by the EUR 3.4 billion dividend paid in respect of the year ended 31 December 2016, the EUR 2.8 billion decrease in foreign exchange reserves and the EUR 0.3 billion decrease in Undated Super Subordinated Notes.

## FINANCING AND GUARANTEE COMMITMENTS



### FINANCING COMMITMENTS

Financing commitments given consist mostly of documentary credit and other credit confirmations. These commitments remain stable at EUR 287.6 billion at 31 December 2017.

Financing commitments given to credit institutions decreased by 14%, to EUR 3.3 billion at 31 December 2017, and those given to customers increased by EUR 1 billion, to EUR 284.3 billion at 31 December 2017.

Financing commitments received consist primarily of commitments received from credit institutions in the framework of refinancing from central banks. Financing commitments received decreased by 33% to EUR 73 billion at 31 December 2017, compared with EUR 109.1 billion at 31 December 2016.

### GUARANTEE COMMITMENTS

Guarantee commitments given increased by 10%, to EUR 141.8 billion at 31 December 2017 from EUR 129 billion at 31 December 2016. This increase is mainly attributable to a 8% increase in commitments given to customers (EUR 127 billion at 31 December 2017), and to a 26% increase in guarantee commitments given to credit institutions (EUR 14.8 billion at 31 December 2017).

# 3.4 Profit and loss account

## REVENUES

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 | Change (2017/2016) |
|---|---|---|---|
| Net interest income | 21,774 | 22,376 | -3% |
| Net commission income | 7,454 | 7,202 | 3% |
| Net gain on financial instruments at fair value through profit or loss | 5,733 | 6,189 | -7% |
| Net gain on available-for-sale financial assets and other financial assets not measured at fair value | 2,338 | 2,211 | 6% |
| Net income from other activities | 5,862 | 5,433 | 8% |
| **REVENUES** | **43,161** | **43,411** | **-1%** |

### OVERVIEW

The EUR -0.3 billion variation in the Group's revenues between 2016 and 2017 mainly reflects a EUR 0.6 billion decrease in the net interest income and a EUR 0.5 billion decrease in the net gain on financial instruments at fair value through profit or loss, offset by a EUR 0.4 billion increase in the net income from other activities and an increase by EUR 0.3 billion in the net commission income.

### NET INTEREST INCOME

This line item includes net interest income and expense related to customer transactions; interbank transactions; debt instruments issued by the Group; cash flow hedge instruments, derivatives used for interest rate portfolio hedge; the trading book (fixed-income securities, repurchase agreements, loans/borrowings, and debt securities); financial assets available for sale; and financial assets held to maturity.

More specifically, the Net interest income line item includes:

- net interest income from loans and receivables, including interest, transaction costs, fees and commissions included in the initial value of the loan. These items are calculated using the effective interest method, and recognised in the profit and loss account over the life of the loan;
- net interest income from fixed-income securities held by the Group, which are classified as Financial assets at fair value through profit or loss (for the contractual accrued interest) and Available-for-sale financial assets (for the interest calculated using the effective interest method);
- interest income from held-to-maturity assets, which are investments with fixed or determinable payments and fixed maturities that the Group has the intention and ability to hold until maturity;
- net interest income from cash flow hedges, which are used in particular to hedge interest rate risk on variable rate assets and liabilities. Changes in the fair value of cash flow hedges are recorded in equity. The amounts recorded in equity over the life of the hedge are transferred to Net interest income as and when the cash flows from the hedged item are recognised as profit or loss in the income statement.

Interest income and expense on fair value hedge derivatives are included with the interest generated by the hedged item. Similarly, interest income and expense arising from derivatives used for economic hedge of transactions designated as at fair value through profit or loss are allocated to the same line items as the interest income and expense relating to the underlying transactions.

The main factors affecting the level of net interest income are the relative volumes of interest-earning assets and interest-bearing liabilities and the spread between lending and funding rates. Net interest income is also affected by the impact of hedging transactions, and, to a lesser extent, exchange rate fluctuations.

Volumes of interest-earning assets and interest-bearing liabilities can be affected by various factors, in addition to general market conditions and growth in the Group's lending activities (either organically or through acquisitions). One such factor is the Group's business mix, such as the relative proportion of capital allocated to interest-generating as opposed to fee-generating businesses.

The other principal factor affecting net interest income is the spread between lending and funding rates, which itself is influenced by several factors. These include central bank funding rates (which affect both the yield on interest-earning assets and the rates paid on sources of funding, although not always in a linear and simultaneous manner), the proportion of funding sources represented by non-interest bearing customer deposits, government decisions to raise or lower interest rates on regulated savings accounts, the competitive environment, the relative weight of the Group's various interest-bearing products, which have different margins as a result of different competitive environments, and the Bank's hedging strategy and accounting treatment of hedging transactions.

Net interest income decreased by 3% to EUR 21,774 million for the year ended 31 December 2017. This variation is mainly attributable to the downturn in income from customer operations (EUR 17,025 million for the year ended 31 December 2017, compared with EUR 17,553 million for the year ended 31 December 2016), to the decrease in available-for-sale financial assets (EUR 4,378 million for the year ended 31 December 2017, compared with EUR 4,789 million for the year ended 31 December 2016) and to the decrease in net revenues from financial instruments at fair value through profit or loss (EUR -50 million for the year ended

31 December 2017, compared with EUR +154 million for the year ended 31 December 2016). Besides, net expense on debt issued by the Group increased by 13% from EUR -1,662 million in the year ended 31 December 2016 to EUR -1,872 million in the year ended 31 December 2017. Interbank item operations increased by EUR 564 million in the year ended 31 December 2017 compared to the year ended 31 December 2016 and net revenues of cash flow hedge instruments increased by EUR +169 million compared with the year ended 31 December 2016.

## NET COMMISSION INCOME

Net commission income includes commissions on interbank and money market transactions, customer transactions, securities transactions, foreign exchange and arbitrage transactions, securities commitments, forward financial instruments, and financial services. Net commission income increased by 3% from EUR 7,202 million for the year ended 31 December 2016 to EUR 7,454 million for the year ended 31 December 2017.

## NET GAIN ON FINANCIAL INSTRUMENTS AT FAIR OR MODEL VALUE THROUGH PROFIT OR LOSS

This line item includes all profit and loss items (other than interest income and expense, which are recognised under "Net interest income" as presented above) relating to financial instruments managed in the trading book and to financial instruments designated as at fair value through profit or loss by the Group under the fair value option of IAS 39. This includes both capital gains and losses on the sale and the marking to fair value of these instruments, along with dividends from variable-income securities.

This line item also includes gains and losses due to the ineffectiveness of fair value hedges, cash flow hedges, and net foreign investment hedges.

Net gains on financial instruments at fair or model value through profit or loss decreased by 7%, moving from EUR 6,189 million for the year ended 31 December 2016 to EUR 5,733 million for the year ended 31 December 2017. The gains and losses resulting from cash flows and the remeasurement of financial instruments, either cash or derivatives, must be appreciated as a whole in order to give a fair representation of the profit or loss resulting from trading activities.

The change in the net gain on financial instruments at fair or model value through profit or loss is partly attributable to the change in the issuer risk of the BNP Paribas Group for a loss of EUR 61 million for the year ended 31 December 2017 versus a gain of EUR 25 million for the year ended 31 December 2016. The other components of income from items designated as at fair value through profit or loss are partly offset by changes in the value of the derivative instruments hedging these assets.

The residual change in net gains on portfolios of financial assets and financial liabilities at fair value through profit or loss is mainly due to the combination of a decrease in net gains on foreign exchange financial instruments and an increase in equity financial instruments.

## NET GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS AND OTHER FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE

This line item includes net gains on assets classified as available-for-sale. Changes in fair value (excluding interest due) of these assets are initially accounted for under "Change in assets and liabilities recognised directly in equity". Upon sale of such assets or identification of an impairment loss, these unrealised gains or losses are recognised in the profit and loss account under "Net gain on available-for-sale financial assets and other financial assets not measured at fair value".

This line item also includes gains and losses on the sale of other financial assets not measured at fair or model value.

The net gain on available-for-sale financial assets and other financial assets not measured at fair value increased by 6% or EUR 127 million, from EUR 2,211 in the year ended 31 December 2016 to EUR 2,338 million in the year ended 31 December 2017.

## NET INCOME FROM OTHER ACTIVITIES

This line item consists, among others, of net income from insurance activities, investment property, assets leased under operating leases, and property development activities. Net income from other activities increased by 8% from EUR 5,433 million for the year ended 31 December 2016 to EUR 5,862 million for the year ended 31 December 2017. This change results primarily from an increase of EUR 325 million in net income from insurance activities, and an increase of EUR 170 million in net income from investment property.

The principal components of net income from insurance activities are gross premiums written, movements in technical reserves, policy benefit expenses, and changes in the value of admissible investments related to unit-linked contracts. Claims and benefits expenses include expenses arising from surrenders, maturities, and claims relating to insurance contracts, as well as changes in the value of financial contracts (in particular unit-linked contracts). Interests paid on such contracts are recognised under Interest expenses.

The change in net income from insurance activities is mainly due to the increase in gross premiums written from EUR 22,599 million in 2016 to EUR 24,952 million in 2017 and to the increase in net gains from changes in value of admissible investments related to unit-linked policies from EUR 979 million in 2016 to EUR 3,310 million in 2017. These are partly offset by changes in technical reserves, which amount to EUR -7,253 million in 2017 compared to EUR -4,828 million in 2016, as well as the increase in policy benefit expenses from EUR -14,738 million in 2016 to EUR -16,789 million in 2017.

## OPERATING EXPENSES, DEPRECIATION AND AMORTISATION

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 | Change (2017/2016) |
|---|---|---|---|
| Operating expenses | (28,225) | (27,681) | 2% |
| Depreciation, amortisation, and impairment of property, plant and equipment and intangible assets | (1,719) | (1,697) | 1% |
| **TOTAL OPERATING EXPENSES, DEPRECIATION, AND AMORTISATION** | **(29,944)** | **(29,378)** | **2%** |



## GROSS OPERATING INCOME

The Group's gross operating income decreases by 6% to EUR 13,217 million for the year ended 31 December 2017 (compared with EUR 14,033 million for the year ended 31 December 2016), mainly due to the 2% increase in the total operating expenses, depreciation, and amortisation.

## COST OF RISK

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 | Change (2017/2016) |
|---|---|---|---|
| Net allowances to impairment | (2,852) | (3,304) | -14% |
| Recoveries on loans and receivables previously written off | 537 | 545 | -1% |
| Irrecoverable loans and receivables not covered by impairment provisions | (592) | (503) | 18% |
| **TOTAL COST OF RISK FOR THE PERIOD** | **(2,907)** | **(3,262)** | **-11%** |

This line item represents the net amount of impairment losses recognised for credit risks inherent in the Group's intermediation activities, as well as any impairment losses relating to counterparty risks on over-the-counter derivative instruments.

At EUR 2,907 million, the Group's cost of risk decreased by 11% compared with 2016.

The decrease in the cost of risk in 2017 compared with 2016 stemmed mainly from the contribution of Domestic Markets, with net allowances of EUR 1,353 million in 2017 (compared with EUR 1,509 million in 2016), a 10% decrease mainly due to the impact of BNL banca commerciale, the net allowances of which amount to EUR 870 million (compared with EUR 959 million in 2016) and net allowances of Europe-Mediterranean which amount to EUR 259 million in 2017 (compared with EUR 437 million in 2016).

At 31 December 2017, doubtful loans, securities and commitments net of guarantees totalled EUR 27.9 billion (EUR 31.2 billion at 31 December 2016), and provisions amounted to EUR 25.3 billion, compared with EUR 27.8 billion at 31 December 2016. The coverage ratio was 91% at 31 December 2017, compared with 89% at 31 December 2016.

More details on the net additions to provisions for each business are available in the section "Core business results".

## NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 | Change (2017/2016) |
|---|---|---|---|
| **OPERATING INCOME** | **10,310** | **10,771** | **-4%** |
| Share of earnings of equity-method entities | 713 | 633 | 13% |
| Net gain on non-current assets | 488 | (12) | n.s. |
| Goodwill | (201) | (182) | 10% |
| Corporate income tax | (3,103) | (3,095) | 0% |
| Net income attributable to minority interests | (448) | (413) | 8% |
| **NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS** | **7,759** | **7,702** | **1%** |



### SHARE OF EARNINGS OF EQUITY-METHOD ENTITIES

The share of earnings of equity-method entities increased from EUR 633 million in 2016 to EUR 713 million in 2017.

### NET GAIN ON NON-CURRENT ASSETS

This item includes net realised gains or losses on sales of tangible and intangible assets used in operations and on sales of investments in consolidated undertakings.

Net gains on other non-current assets increased by EUR 500 million (from EUR -12 million in 2016 to EUR 488 million in 2017), including a EUR 326 million gain due to the partial disposal of SBI Life Insurance in 2017.

### CHANGE IN VALUE OF GOODWILL

Change in the value of goodwill was a negative EUR 201 million in 2017 (including the full goodwill impairment of Turk Ekonomi Bankasi for EUR 172 million), compared with a negative change of EUR 182 million in 2016 (of which EUR 127 million of BGZ BNP Paribas goodwill impairment).

### INCOME TAX EXPENSE

The Group records income tax expense of EUR 3,103 million in 2017, an increase compared with the income tax expense of EUR 3,095 million recorded in 2016.

## MINORITY INTERESTS

The share of earnings attributable to minority interests in consolidated companies increased by EUR 35 million (to EUR 448 million in 2017 compared with EUR 413 million in 2016).

# 3.5 Recent events

## PRODUCTS AND SERVICES

BNP Paribas regularly introduces new products and services for its customers. More information is available on the Group's websites, including in the press releases available at www.invest.bnpparibas.com.



## ACQUISITIONS AND PARTNERSHIPS

No significant event has occurred since the third update to the 2016 Registration document issued on 31 October 2017 that should be mentioned in this section.

# 3.6 Outlook

## GOOD START TO THE 2017-2020 PLAN

In the gradually more favourable macroeconomic context (robust economic growth forecasts in Europe and an improving interest rate environment starting next year), the Group is actively implementing the 2017-2020 business development plan.

Leveraging on the Group's integrated and diversified model, this plan is based on an ambitious transformation programme in all the operating divisions as well as differentiated business development strategies between Domestic Markets, IFS and CIB in compliance with a strict corporate social and environmental policy.

### GOOD START OF THE AMBITIOUS PROGRAMME OF NEW CUSTOMER EXPERIENCES, DIGITAL TRANSFORMATION AND SAVINGS

The Group is implementing in all the operating divisions an ambitious transformation programme that aims at the same time to implement new customer experiences, speed up digital transformation and improve the operating efficiency.

Five levers are thereby implemented throughout the Group to reinvent the customer experience and build a more effective and digital bank: (1) implement new customer journeys (new digitalised, value-added and personalised customer services and journeys that were illustrated in particular this year by the launch of *LyfPay*, a universal mobile payment solution, the acquisition of Compte-Nickel and the development of the online platform *Centric* at CIB); (2) upgrade the operational model by streamlining processes, simplifying organisations and developing shared platforms with, for example, the announcement this year of the roll-out of the BlackRock's *Aladdin* platform at Asset Management; (3) adapt information systems by incorporating in particular new technologies in order to speed up the digital transformation and by promoting agile work practices, which entails the development of *Data Hubs* to interface between banking and digital platforms; (4) make better use of data to serve clients all the whilst bolstering data storage and data analysis capacities: the acquisition this year of *Gambit* in the robo-advisory field will contribute to this objective; (5) develop more digital, collaborative and agile work practices, which translated this year in particular in an equity investment in *Symphony*, a secure and automated communication platform at Global Markets.

The Group plans to invest EUR 3 billion between 2017 and 2019 in this programme that will generate EUR 3.4 billion in savings during the same period and EUR 2.7 billion in annual recurring savings starting from 2020 with a balanced contribution of all the divisions.

In 2017, transformation costs totalled EUR 856 million (with a gradual ramping up) and savings generated amounted to EUR 533 million, in line with the plan.

### DIFFERENTIATED BUSINESS DEVELOPMENT STRATEGIES SUCCESSFULLY IMPLEMENTED BY THE DIVISIONS

In an interest rate environment that is expected to improve only gradually and given new client expectations influenced by digital usages, Domestic Markets reinforces its sales and marketing drive with new customer experiences, enhanced attractiveness of the offering and new services.

As a growth engine for the Group, International Financial Services strengthens its leading positions in its specialised businesses, accelerates their development (new offerings, new partnerships, new regions) and continues the selective expansion of retail banks.

Lastly, CIB optimises the use of its resources and revenue growth by expanding its corporate and institutional client base, targeting particularly certain countries in Europe, and growing fee-generating businesses, all the while reducing its costs.

These differentiated strategies are successfully implemented in all three operating divisions. The sharp rise in their pre-tax income compared to 2016 illustrates the good evolution of their operating performance (Domestic Markets: +4.7%, IFS: +18.2%, CIB: +14.6%).

### COMMITMENT FOR A POSITIVE IMPACT ON SOCIETY

The Group is pursuing an ambitious corporate social and environmental responsibility policy and is committed to making a positive impact on society. It thus created this year a Company Engagement Department, whose head is a member of the Group Executive Committee, in order to reinforce its action in this field. This new Department defines the Group's commitments to civil society, strengthens CSR practices and makes all the Company's levers converge to meet key challenges in society.

The Group aims at financing the economy in an ethical way, promoting the development of its employees, supporting initiatives that have a social impact and playing a major role in the transition toward a low carbon economy. It announced that it will stop funding companies whose principal business activity is gas/oil from shale, oil from tar sands or oil/gas production located in the Arctic region. It also announced that it will stop the financings to tobacco companies. It originated and placed sustainable bonds for an equivalent of USD 6 billion (+116% compared to 2016).

This policy committed for a positive impact on society is recognised by very good rankings in major specialised indices (named for example first bank in Europe in terms of CSR by Global Banking & Finance Review).

The Group is moreover a very significant tax payer, with a total amount of taxes and levies of EUR 5.3 billion in 2017.

### CONFIRMED 2020 OBJECTIVES

Based on conservative macroeconomic assumptions, the plan takes into account regulatory constraints expected by 2020.

The Group confirms its 2020 targets with revenue growth above or equal to 2.5% per year and EUR 2.7 billion in recurring cost savings starting in 2020, bringing the cost income ratio down to 63%.

It aims at a return on equity above 10% in 2020 with a 12% CET1 ratio. The dividend pay-out ratio was increased this year to 50%, in line with the plan.

## TREND INFORMATION



Trend information (*Macroeconomic environment and Laws and regulations applicable to financial institutions*) is described in the *Top and emerging risks* sub-section, in the *Risks and capital adequacy* chapter.

# 3.7 Financial structure

The Group's balance sheet is very solid.

The fully loaded Basel 3 common equity Tier 1 ratio(1) was 11.8% as at 31 December 2017, up by 30 basis points compared to 31 December 2016, primarily due to the year's net income after taking into account the 50% dividend pay-out ratio (+60 bp) and the rise in risk-weighted assets excluding the scope and foreign exchange effect (-30 bp). The foreign exchange is, on the whole, limited on the ratio along with the effect of main acquisitions and sales, the effect in particular of the acquisition in the fourth quarter 2017 of the financing activities of General Motors Europe (-10 bp) offsetting the effect of the sale in the first quarter 2017 of First Hawaiian Bank (+10 bp).

The Basel 3 fully loaded leverage ratio(2), calculated on total Tier 1 capital, totalled 4.6% as at 31 December 2017.

The Liquidity Coverage Ratio stood at 121% as at 31 December 2017.

The Group's liquid and asset reserve immediately available totalled EUR 285 billion, which is equivalent to more than one year of room to manoeuvre in terms of wholesale funding.

The evolution of the these ratios illustrates the Group's ability to manage its balance sheet in a disciplined manner within the regulatory framework.

The estimated impact of the first-time application of the new IFRS 9 accounting standard on 1st January 2018 are expected to be limited for the Group: roughly -EUR 1.1 billion for shareholders' equity not revaluated(3) (-EUR 2.5 billion for shareholders' equity revaluated(4)) and -10 bp roughly on the fully loaded Basel 3 common equity Tier 1 ratio(5).

*(1) Taking into account all the rules of the CRD4 directives with no transitory provisions. Subject to the provisions of article 26.2 of Regulation (EU) No. 575/2013.*

*(2) Taking into account all the rules of the CRD4 directives in 2019 with no transitory provisions, calculated according to the delegated act of the European Commission dated 10 October 2014.*

*(3) Excluding valuation reserves (Group share).*

*(4) Including valuation reserves (Group share).*

*(5) Taking into account all the rules of the CRD4 directives with no transitory provisions. Subject to the provisions of article 26.2 of Regulation (EU) No. 575/2013.*

# 3.8 Alternative Performance Measures (APM) – Article 223-1 of the AMF's General regulation



| Alternative Performance Measures | Definition | Reason for use |
|---|---|---|
| **Revenues of the operating divisions** | Sum of the revenues of Domestic Markets, IFS and CIB<br>Revenues for BNP Paribas Group = Revenues of the operating divisions + Revenues of Corporate Centre | Representative measure of the BNP Paribas Group's operating performance |
| **Revenues excluding PEL/CEL effects** | Revenues excluding PEL/CEL effects | Representative measure of the revenues of the period excluding changes in the provision that accounts for the risk generated by PEL and CEL accounts during their lifetime |
| **Profit & Loss account of Retail Banking activity with 100% of Private Banking** | Profit & Loss account of a Retail Banking activity including the whole Profit & Loss account of Private Banking | Representative measure of the performance of Retail Banking activity including the total performance of Private Banking (before sharing the profit & loss account with the Wealth Management business, Private Banking being under a joint responsibility of Retail Banking (2/3) and Wealth Management business (1/3) |
| **Cost of risk/Customer loans at the beginning of the period (in basis points)** | Cost of risk (in €m) divided by customer loans at the beginning of the period | Measure of the risk level by business in percentage of the volume of outstanding loans |
| **Net income Group share excluding exceptional items** | Net income attributable to equity holders excluding exceptional items | Measure of BNP Paribas Group's net income excluding non-recurring items of a significant amount or items that do not reflect the underlying operating performance, notably Own Credit valuation Adjustments for debts (OCA) and for derivatives (Debit Valuation Adjustment - DVA) as well as transformation and restructuring costs |
| **Return on Equity (ROE)** | Net income Group share excluding remuneration of Undated Super Subordinated Notes divided by the average of permanent shareholders' equity of the period (shareholders' equity Group share excluding changes in assets and liabilities recognized directly in equity, Undated Super Subordinated Notes, remuneration net of tax payable to holders of Undated Super Subordinated Notes and proposed distribution of dividends) | Measure of the BNP Paribas Group's return on equity |
| **Return on Tangible Equity (ROTE)** | Net income Group share excluding remuneration of Undated Super Subordinated Notes divided by the average of tangible permanent shareholders' equity of the period (permanent shareholders' equity correspond to permanent shareholders' equity less goodwill and intangible assets) | Measure of the BNP Paribas Group's return on tangible equity |

## METHODOLOGY – COMPARATIVE ANALYSIS AT CONSTANT SCOPE AND EXCHANGE RATES

The method used to determine the effect of changes in scope of consolidation depends on the type of transaction (acquisition, sale, etc.). The underlying purpose of the calculation is to facilitate period-on-period comparisons.

In case of acquired or created entity, the results of the new entity are eliminated from the constant scope results of current-year periods corresponding to the periods when the entity was not owned in the prior-year.

In case of divested entities, the entity's results are excluded symmetrically for the prior year for quarters when the entity was not owned.

In case of change of consolidation method, the policy is to use the lowest consolidation percentage over the two years (current and prior) for results of quarters adjusted on a like-for-like basis.

Comparative analysis at constant exchange rates are prepared by restating results for the prior-year quarter (reference quarter) at the current quarter exchange rate (analysed quarter). All of these calculations are performed by reference to the entity's reporting currency.

## REMINDER

**Operating expenses:** sum of salary and employee benefit expenses, other operating expenses and depreciation, amortisation and impairment of property, plant and equipment. In the whole document, the terms operating expenses or costs can be used indifferently.

**Operating divisions:** they consist of 3 divisions:

- Domestic Markets including: French Retail Banking (FRB), BNL banca commerciale (BNL bc), Belgium Retail Banking (BRB), Other Domestic Markets activities including Arval, Leasing Solutions, Personal Investors and Luxembourg Retail Banking (LRB);
- International Financial Services (IFS) including: Europe-Mediterranean, BancWest, Personal Finance, Insurance, Wealth & Asset Management (WAM) that includes Asset Management, Wealth Management and Real Estate Services;
- Corporate and Institutional Banking (CIB) including: Corporate Banking, Global Markets, Securities Services.

3

## NET EARNINGS PER SHARE

| *In millions* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Average number of Shares outstanding excluding Treasury Shares** | **1,246** | **1,244** |
| Net income attributable to equity holders | 7,759 | 7,702 |
| Remuneration net of tax of Undated Super Subordinated Notes | (286) | (357) |
| Exchange rate effect on reimbursed Undated Super Subordinated Notes | 64 | 125 |
| **Net income attributable to equity holders, after remuneration and exchange rate effect on Undated Super Subordinated Notes** | **7,537** | **7,470** |
| **NET EARNINGS PER SHARE (EPS) IN EUROS** | **6.05** | **6.00** |

## RETURN ON EQUITY

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Net income Group share** | **7,759** | **7,702** |
| Remuneration net of tax of Undated Super Subordinated Notes | (286) | (357) |
| Exchange rate effect on reimbursed Undated Super Subordinated Notes | 64 | 125 |
| **Restated Net income Group share used for the calculation of ROE/ROTE** | **7,537** | **7,470** |
| Exceptional items (after tax)[(a)] | (390) | (100) |
| **Restated Net income Group share used for the calculation of ROE/ROTE excluding exceptional items** | **7,927** | **7,750** |
| **Average permanent shareholders' equity, not revaluated[(b)]** | **84,695** | **80,657** |
| **Return on Equity** | **8.9%** | **9.3%** |
| **Return on Equity excluding exceptionals** | **9.4%** | **9.4%** |
| **Average tangible permanent shareholders' equity, not revaluated[(c)]** | **71,864** | **67,338** |
| **Return on Tangible Equity** | **10.5%** | **11.1%** |
| **Return on Tangible Equity excluding exceptionals** | **11.0%** | **11.2%** |

*(a) See chapter 3 section 3.1 BNP Paribas Consolidated results.*

*(b) Average Permanent shareholders' equity: average of beginning of the year and end of the period (Permanent Shareholders' equity = Shareholders' equity attributable to shareholders - changes in assets and liabilities recognised directly in equity - Undated Super Subordinated Notes - remuneration net of tax payable to holders of Undated Super Subordinated Notes - proposed dividend distribution).*

*(c) Average Tangible permanent shareholders' equity: average of beginning of the year and end of the period(Tangible permanent shareholders' equity = permanent shareholders' equity - intangible assets - goodwill).*

# 4 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4

The consolidated financial statements of the BNP Paribas Group are presented for the years ended 31 December 2017 and 31 December 2016. In accordance with article 20.1 of Annex I of European Commission Regulation (EC) 809/2004, the consolidated financial statements for 2015 are provided in the Registration document filed with the Autorité des Marchés Financiers on 7 March 2017 under number D.17-0132.

# 4.1 Profit and loss account for the year ended 31 December 2017



| *In millions of euros* | Notes | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|---|
| Interest income | 2.a | 40,785 | 40,894 |
| Interest expense | 2.a | (19,011) | (18,518) |
| Commission income | 2.b | 13,231 | 12,765 |
| Commission expense | 2.b | (5,777) | (5,563) |
| Net gain on financial instruments at fair value through profit or loss | 2.c | 5,733 | 6,189 |
| Net gain on available-for-sale financial assets and other financial assets not measured at fair value | 2.d | 2,338 | 2,211 |
| Income from other activities | 2.e | 42,041 | 36,532 |
| Expense on other activities | 2.e | (36,179) | (31,099) |
| **REVENUES** | | **43,161** | **43,411** |
| Salary and employee benefit expense | 6.a | (16,496) | (16,402) |
| Other operating expenses | 2.f | (11,729) | (11,279) |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets | 4.n | (1,719) | (1,697) |
| **GROSS OPERATING INCOME** | | **13,217** | **14,033** |
| Cost of risk | 2.g | (2,907) | (3,262) |
| **OPERATING INCOME** | | **10,310** | **10,771** |
| Share of earnings of equity-method entities | 4.m | 713 | 633 |
| Net gain on non-current assets | | 488 | (12) |
| Goodwill | 4.o | (201) | (182) |
| **PRE-TAX INCOME** | | **11,310** | **11,210** |
| Corporate income tax | 2.h | (3,103) | (3,095) |
| **NET INCOME** | | **8,207** | **8,115** |
| Net income attributable to minority interests | | 448 | 413 |
| **NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS** | | **7,759** | **7,702** |
| Basic earnings per share | 7.a | 6.05 | 6.00 |
| Diluted earnings per share | 7.a | 6.05 | 6.00 |

# 4.2 Statement of net income and changes in assets and liabilities recognised directly in equity

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Net income for the period** | **8,207** | **8,115** |
| **Changes in assets and liabilities recognised directly in equity** | **(3,019)** | **(805)** |
| **Items that are or may be reclassified to profit or loss** | **(3,171)** | **(589)** |
| Changes in exchange rate items | (2,589) | 332 |
| Changes in fair value of available-for-sale financial assets, including those reclassified as loans and receivables | 436 | 493 |
| Changes in fair value of available-for-sale financial assets reported in net income, including those reclassified as loans and receivables | (862) | (1,366) |
| Changes in fair value of hedging instruments | (237) | (405) |
| Changes in fair value of hedging instruments reported in net income | 4 | (1) |
| Income tax | 426 | 441 |
| Changes in equity-method investments | (349) | (83) |
| **Items that will not be reclassified to profit or loss** | **152** | **(216)** |
| Remeasurement gains (losses) related to post-employment benefit plans | 177 | (302) |
| Income tax | (25) | 100 |
| Changes in equity-method investments | | (14) |
| **TOTAL** | **5,188** | **7,310** |
| Attributable to equity shareholders | 4,956 | 6,925 |
| Attributable to minority interests | 232 | 385 |

# 4.3 Balance sheet at 31 December 2017

| *In millions of euros* | Notes | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| ASSETS | | | |
| Cash and amounts due from central banks | | 178,446 | 160,400 |
| Financial instruments at fair value through profit or loss | | | |
| Trading securities | 4.a | 119,452 | 123,679 |
| Loans and repurchase agreements | 4.a | 143,558 | 152,242 |
| Instruments designated as at fair value through profit or loss | 4.a | 96,932 | 87,644 |
| Derivative financial instruments | 4.a | 230,230 | 328,162 |
| Derivatives used for hedging purposes | 4.b | 13,756 | 18,133 |
| Available-for-sale financial assets | 4.c | 231,975 | 267,559 |
| Loans and receivables due from credit institutions | 4.f | 45,670 | 47,411 |
| Loans and receivables due from customers | 4.g | 727,675 | 712,233 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | | 3,064 | 4,664 |
| Held-to-maturity financial assets | 4.j | 4,792 | 6,100 |
| Current and deferred tax assets | 4.k | 6,568 | 7,966 |
| Accrued income and other assets | 4.l | 107,211 | 115,967 |
| Equity-method investments | 4.m | 6,812 | 6,910 |
| Investment property | 4.n | 7,065 | 1,911 |
| Property, plant and equipment | 4.n | 24,148 | 22,523 |
| Intangible assets | 4.n | 3,327 | 3,239 |
| Goodwill | 4.o | 9,571 | 10,216 |
| **TOTAL ASSETS** | | **1,960,252** | **2,076,959** |
| LIABILITIES | | | |
| Due to central banks | | 1,471 | 233 |
| Financial instruments at fair value through profit or loss | | | |
| Trading securities | 4.a | 69,313 | 70,326 |
| Borrowings and repurchase agreements | 4.a | 172,147 | 183,206 |
| Instruments designated as at fair value through profit or loss | 4.a | 53,441 | 54,076 |
| Derivative financial instruments | 4.a | 228,019 | 318,740 |
| Derivatives used for hedging purposes | 4.b | 15,682 | 19,626 |
| Due to credit institutions | 4.f | 76,503 | 75,660 |
| Due to customers | 4.g | 766,890 | 765,953 |
| Debt securities | 4.i | 148,156 | 153,422 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | | 2,372 | 4,202 |
| Current and deferred tax liabilities | 4.k | 2,466 | 3,087 |
| Accrued expenses and other liabilities | 4.l | 86,135 | 99,407 |
| Technical reserves of insurance companies | 4.p | 203,436 | 193,626 |
| Provisions for contingencies and charges | 4.q | 11,061 | 11,801 |
| Subordinated debt | 4.i | 15,951 | 18,374 |
| **TOTAL LIABILITIES** | | **1,853,043** | **1,971,739** |
| CONSOLIDATED EQUITY | | | |
| *Share capital, additional paid-in capital and retained earnings* | | *91,094* | *86,794* |
| *Net income for the period attributable to shareholders* | | *7,759* | *7,702* |
| **Total capital, retained earnings and net income for the period attributable to shareholders** | | **98,853** | **94,496** |
| Changes in assets and liabilities recognised directly in equity | | 3,130 | 6,169 |
| **Shareholders' equity** | | **101,983** | **100,665** |
| Retained earnings and net income for the period attributable to minority interests | | 5,352 | 4,460 |
| Changes in assets and liabilities recognised directly in equity | | (126) | 95 |
| **Total minority interests** | | **5,226** | **4,555** |
| **TOTAL CONSOLIDATED EQUITY** | | **107,209** | **105,220** |
| **TOTAL LIABILITIES AND EQUITY** | | **1,960,252** | **2,076,959** |

# 4.4 Cash flow statement for the year ended 31 December 2017

| *In millions of euros* | Notes | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|---|
| **Pre-tax income** | | **11,310** | **11,210** |
| **Non-monetary items included in pre-tax net income and other adjustments** | | **19,811** | **12,474** |
| Net depreciation/amortisation expense on property, plant and equipment and intangible assets | | 4,550 | 4,444 |
| Impairment of goodwill and other non-current assets | | 190 | 155 |
| Net addition to provisions | | 10,021 | 10,241 |
| Share of earnings of equity-method entities | | (713) | (633) |
| Net expense (income) from investing activities | | (453) | 56 |
| Net expense from financing activities | | 355 | 1,232 |
| Other movements | | 5,861 | (3,021) |
| **Net increase (decrease) in cash related to assets and liabilities generated by operating activities** | | **(2,154)** | **1,977** |
| Net increase (decrease) in cash related to transactions with credit institutions | | 5,771 | (19,515) |
| Net increase (decrease) in cash related to transactions with customers | | (16,024) | 25,749 |
| Net increase in cash related to transactions involving other financial assets and liabilities | | 16,079 | 3,045 |
| Net decrease in cash related to transactions involving non-financial assets and liabilities | | (6,107) | (5,163) |
| Taxes paid | | (1,873) | (2,139) |
| **NET INCREASE IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES** | | **28,967** | **25,661** |
| Net increase in cash related to acquisitions and disposals of consolidated entities | | 527 | 468 |
| Net decrease related to property, plant and equipment and intangible assets | | (1,347) | (1,485) |
| **NET DECREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES** | | **(820)** | **(1,017)** |
| Decrease in cash and equivalents related to transactions with shareholders | | (3,457) | (1,834) |
| Increase (decrease) in cash and equivalents generated by other financing activities | | 308 | (2,608) |
| **NET DECREASE IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES** | | **(3,149)** | **(4,442)** |
| **EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS** | | **(5,900)** | **2,587** |
| **NET INCREASE IN CASH AND EQUIVALENTS** | | **19,098** | **22,789** |
| **Balance of cash and equivalent accounts at the start of the period** | | **155,963** | **133,174** |
| Cash and amounts due from central banks | | 160,400 | 134,547 |
| Due to central banks | | (233) | (2,385) |
| On demand deposits with credit institutions | 4.f | 6,513 | 9,346 |
| On demand loans from credit institutions | 4.f | (10,775) | (8,527) |
| Deduction of receivables and accrued interest on cash and equivalents | | 58 | 193 |
| **Balance of cash and equivalent accounts at the end of the period** | | **175,061** | **155,963** |
| Cash and amounts due from central banks | | 178,446 | 160,400 |
| Due to central banks | | (1,471) | (233) |
| On demand deposits with credit institutions | 4.f | 8,063 | 6,513 |
| On demand loans from credit institutions | 4.f | (9,906) | (10,775) |
| Deduction of receivables and accrued interest on cash and equivalents | | (71) | 58 |
| **NET INCREASE IN CASH AND EQUIVALENTS** | | **19,098** | **22,789** |

# 4.5 Statement of changes in shareholders' equity

| *In millions of euros* | Capital and retained earnings | | | |
|---|---|---|---|---|
| | Attributable to shareholders | | | |
| | Share capital and additional paid-in capital | Undated Super Subordinated Notes | Non-distributed reserves | Total |
| **Capital and retained earnings at 31 December 2015** | **26,897** | **7,855** | **54,781** | **89,533** |
| **Appropriation of net income for 2015** | | | **(2,877)** | **(2,877)** |
| Increases in capital and issues | 29 | 2,035 | (5) | 2,059 |
| Reduction or redemption of capital | (3) | (1,437) | 125 | (1,315) |
| Movements in own equity instruments | 25 | (23) | 3 | 5 |
| Share-based payment plans | | | 1 | 1 |
| Remuneration on preferred shares and undated super subordinated notes | | | (365) | (365) |
| Impact of internal transactions on minority shareholders *(note 7.d)* | | | 4 | 4 |
| Movements in consolidation scope impacting minority shareholders | | | | - |
| Acquisitions of additional interests or partial sales of interests *(note 7.d)* | | | (32) | (32) |
| Change in commitments to repurchase minority shareholders' interests | | | (2) | (2) |
| Other movements | | | (7) | (7) |
| Changes in assets and liabilities recognised directly in equity | | | (210) | (210) |
| **Net income for 2016** | | | **7,702** | **7,702** |
| **Capital and retained earnings at 31 December 2016** | **26,948** | **8,430** | **59,118** | **94,496** |
| **Appropriation of net income for 2016** | | | **(3,369)** | **(3,369)** |
| Increases in capital and issues | 88 | 636 | (2) | 722 |
| Reduction or redemption of capital | | (927) | 64 | (863) |
| Movements in own equity instruments | 15 | 33 | (10) | 38 |
| Share-based payment plans | | | 3 | 3 |
| Remuneration on preferred shares and undated super subordinated notes | | | (311) | (311) |
| Impact of internal transactions on minority shareholders *(note 7.d)* | | | 1 | 1 |
| Movements in consolidation scope impacting minority shareholders | | | | - |
| Acquisitions of additional interests or partial sales of interests *(note 7.d)* | | | 253 | 253 |
| Change in commitments to repurchase minority shareholders' interests | | | | - |
| Other movements | | | (34) | (34) |
| Changes in assets and liabilities recognised directly in equity | | | 158 | 158 |
| **Net income for 2017** | | | **7,759** | **7,759** |
| Interim dividend payments | | | | - |
| **Capital and retained earnings at 31 December 2017** | **27,051** | **8,172** | **63,630** | **98,853** |

# between 1 Jan. 2016 and 31 Dec. 2017

| Capital and retained earnings | | | Changes in assets and liabilities recognised directly in equity | | | | | |
|---|---|---|---|---|---|---|---|---|
| Minority interests | | | Attributable to shareholders | | | | | |
| Capital and retained earnings | Preferred shares eligible as Tier 1 capital | Total | Exchange rates | Financial assets available for sale and reclassified as loans and receivables | Derivatives used for hedging purposes | Total | Minority interests | Total equity |
| **3,618** | **73** | **3,691** | **325** | **5,066** | **1,345** | **6,736** | **117** | **100,077** |
| **(112)** | | **(112)** | | | | - | | **(2,989)** |
| | | - | | | | - | | 2,059 |
| | | - | | | | - | | (1,315) |
| | | - | | | | - | | 5 |
| | | - | | | | - | | 1 |
| (2) | | (2) | | | | - | | (367) |
| (4) | | (4) | | | | - | | - |
| 3 | | 3 | | | | - | | 3 |
| 494 | | 494 | | | | - | | 462 |
| (7) | | (7) | | | | - | | (9) |
| (10) | | (10) | | | | - | | (17) |
| (6) | | (6) | 320 | (694) | (193) | (567) | (22) | (805) |
| **413** | | **413** | | | | - | | **8,115** |
| **4,387** | **73** | **4,460** | **645** | **4,372** | **1,152** | **6,169** | **95** | **105,220** |
| **(131)** | | **(131)** | | | | - | | **(3,500)** |
| | | - | | | | - | | 722 |
| | | - | | | | - | | (863) |
| | | - | | | | - | | 38 |
| 2 | | 2 | | | | - | | 5 |
| (2) | | (2) | | | | - | | (313) |
| (1) | | (1) | | | | - | | - |
| 493 | | 493 | | | | - | | 493 |
| 115 | | 115 | (89) | 10 | 1 | (78) | (11) | 279 |
| (8) | | (8) | | | | - | | (8) |
| 23 | | 23 | | | | - | | (11) |
| (6) | | (6) | (2,748) | (198) | (15) | (2,961) | (210) | (3,019) |
| **448** | | **448** | | | | - | | **8,207** |
| (41) | | (41) | | | | - | | (41) |
| **5,279** | **73** | **5,352** | **(2,192)** | **4,184** | **1,138** | **3,130** | **(126)** | **107,209** |

# 4.6 Notes to the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union

## Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY THE GROUP

### 1.a ACCOUNTING STANDARDS

#### 1.a.1 Applicable accounting standards

The consolidated financial statements of the BNP Paribas Group have been prepared in accordance with international accounting standards (*International Financial Reporting Standards* – IFRS), as adopted for use in the European Union[(1)]. Accordingly, certain provisions of IAS 39 on hedge accounting have been excluded, and certain recent texts have not yet undergone the approval process.

The introduction of standards and amendments which are mandatory as of 1 January 2017 has no effect on the 2017 financial statements.

The Group did not choose to early-adopt the new standards, amendments, and interpretations adopted by the European Union, whose application in 2017 was optional.

Information on the nature and extent of risks relating to financial instruments as required by IFRS 7 "Financial Instruments: Disclosures" and to insurance contracts as required by IFRS 4 "Insurance Contracts", along with information on regulatory capital required by IAS 1 "Presentation of Financial Statements" are presented in chapter 5 of the Registration document. This information, which is an integral part of the notes to the BNP Paribas Group's consolidated financial statements, is covered by the opinion of the Statutory Auditors concerning the consolidated financial statements, and is identified in the Annual Report by the word "Audited".

#### 1.a.2 New major accounting standards, published but not yet applicable

##### IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments", issued by the IASB in July 2014, will replace IAS 39 "Financial Instruments: Recognition and Measurement", related to the classification and measurement of financial instruments. It sets out the new principles for the classification and measurement of financial instruments, for impairment for credit risk on debt instruments measured at amortised cost or at fair value through shareholders' equity, loan commitments given, financial guarantee contracts, lease receivables and contract assets, as well as for general hedge accounting (i.e. micro hedging).

IFRS 9, which was adopted by the European Union on 22 November 2016, is mandatory for annual periods beginning on or after 1 January 2018.

**Applying IFRS 9 to insurance activities**

On 12 September 2016, the IASB published amendments to IFRS 4 "Insurance Contracts": "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". These amendments apply for annual periods beginning on or after 1 January 2018.

The amendments to IFRS 4 permit entities that predominantly undertake insurance activities the option to defer the effective date of IFRS 9 until 1 January 2021. The effect of such a deferral is that the entities concerned may continue to report their financial statements under the existing standard IAS 39.

This temporary exemption from IFRS 9, which was limited to groups that predominantly undertook insurance activities according to the IASB amendments, has been extended by the European Union on 3 November 2017 to the insurance sector of financial conglomerates. This exemption is subject to conditions, notably the temporary prohibition on internal transfer of financial instruments, other than financial instruments that are measured at fair value through profit and loss, between insurance entities and other entities of the financial conglomerate.

BNP Paribas Group will apply the amendments as adopted by the European Union to all its insurance entities, including funds related to this activity, which will apply IAS 39 "Financial instruments: Recognition and Measurement" until 31 December 2020.

**Amendments to IFRS 9**

On 12 October 2017, the IASB issued amendments to IFRS 9: "Prepayment Features with Negative Compensation" that precise the classification of financial assets with prepayment options at the borrower's initiative leading the borrower to prepay the instrument at an amount less than the unpaid principal and interest owed.

These amendments will be mandatory for annual periods beginning on or after 1 January 2019. An early application will be possible after adoption by the European Union. In this case, BNP Paribas Group will apply these amendments as at 1 January 2018.

**Classification and measurement**

According to IFRS 9, classification and measurement of financial assets will depend on the business model and the contractual characteristics of the instruments. On initial recognition, financial assets will be measured at amortised cost, at fair value through shareholders' equity (on a separate line), or at fair value through profit or loss.

*(1) The full set of standards adopted for use in the European Union can be found on the website of the European Commission at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en*

It will no longer be possible to recognise derivatives embedded in financial assets separately from the host contract.

Application of the criteria relating to the business model and the contractual characteristics of the instruments will lead to different classification and measurement of financial assets from those selected under IAS 39.

Debt instruments (loans, receivables or debt securities) will be classified at amortised cost, at fair value through shareholders' equity (on a separate line), or at fair value through profit or loss.

- They will be classified at amortised cost if the business model objective is to hold the financial assets in order to collect contractual cash flows, and if the contractual cash flows solely consist of payments relating to principal and interest on the principal.
- They will be classified at fair value through shareholders' equity if the business model is achieved by both holding the financial assets in order to collect contractual cash flows and selling the assets and if the cash flows solely consist of payments relating to principal and interest on the principal. Upon disposal, amounts previously recognised in shareholders' equity will be transferred to profit or loss.
- All debt instruments not eligible for classification at amortised cost or at fair value through shareholders' equity will be presented at fair value through profit or loss.

Debt instruments may only be designated as at fair value through profit or loss using the fair value option, if the use of this option enables the entity to eliminate or significantly reduce an accounting mismatch in profit or loss.

Investments in equity instruments such as shares will be classified as instruments at fair value through profit or loss, or, as an option, as instruments at fair value through shareholders' equity (on a separate line). In the latter case, upon disposal of equity instruments classified at fair value through shareholders' equity, amounts previously recognised in shareholders' equity shall not be transferred to profit or loss. Only dividends will be recognised in profit or loss.

With respect to financial liabilities, the main change introduced by IFRS 9 relates to recognition of changes in fair value attributable to changes in the credit risk of the liabilities designated as at fair value through profit or loss (fair value option), which will be recognised on a separate line in shareholders' equity and no longer through profit or loss.

The provisions of IAS 39 concerning the derecognition of financial assets and financial liabilities have been maintained in IFRS 9 without any modification. Moreover, IFRS 9 provides details on the accounting treatment of modified assets, depending on whether they are derecognised or not.

Based on analysed business models and characteristics of financial assets held by the Group, the main classifications expected as at 1 January 2018 are as follows:

- Loans and receivables due from credit institutions and customers and reverse repurchase agreements recognised in "Loans and receivables" under IAS 39 are mostly eligible to amortised cost under IFRS 9, except for those not complying with the contractual characteristics criterion and those for which a disposal is envisaged;
- "Available-for-sale financial assets" under IAS 39, held by non-insurance entities:
  - Treasury bills, Government bonds and other fixed-income securities will be recognised, depending on the business model, at amortised cost for EUR 54 billion and at fair value through shareholders' equity for the remainder. By way of exception, those not complying with the contractual characteristics criterion will be measured at fair value through profit and loss;
  - EUR 5 billion in investments in equity instruments will be reclassified as instruments at fair value through profit or loss.
- Financial assets classified as at "Fair value through profit or loss" under IAS 39 will remain in this category under IFRS 9.

### Impairment

IFRS 9 establishes a new credit risk impairment model based on expected losses.

This model will apply to loans and debt instruments measured at amortised cost or at fair value through shareholders' equity (on a separate line), to loan commitments and financial guarantees not recognised at fair value, as well as to lease receivables.

Under the impairment model in IAS 39 based on incurred loss, an impairment loss is recognised when there is an objective evidence of a decrease in value. Counterparties that are not individually impaired are risk-assessed on the basis of portfolios with similar characteristics, and groups of counterparties which, as a result of events occurring since inception of the loans, present objective indication of impairment, are subject to a portfolio-based impairment. Moreover, the Group may recognise additional collective impairment with respect to a given economic sector or geographic area affected by exceptional economic events.

The new impairment model under IFRS 9 requires accounting for 12-month expected credit losses (that result from the risk of default in the next 12 months) on the financial instruments issued or acquired, as of the date of initial recognition on the balance sheet.

Expected credit losses at maturity (that result from the risk of default over the life of the financial instrument) will be recognised if the credit risk has increased significantly since initial recognition.

Financial assets for which a 12-month expected credit loss will be recognised, will be included in "Stage 1". Interest income will be measured according to the effective interest method using the financial asset's gross value (before impairment).

Financial assets for which the credit risk has increased significantly since the initial recognition will be included in "Stage 2". Interest income will be measured according to the effective interest method using the financial asset's gross value (before impairment).

Significant increase in the credit risk will be assessed on an individual basis or on a collective basis (by grouping the financial instruments according to common credit risk characteristics) by taking into consideration all reasonable and supportable information and comparing the default risk of the financial instrument at the reporting date with the default risk on the date of its initial recognition.

Assessment of deterioration will be measured by comparing probability of default/ratings on the date of initial recognition and those existing on the reporting date.

Under the standard, there is also a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The standard suggests that it may be assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if this risk is considered to be low on the reporting date (for example, a financial instrument which has an 'investment grade' rating). This provision may be applied to debt securities.

Financial assets for which there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset will be considered as impaired and be recognised in "Stage 3". Criteria for identifying impaired assets are similar to those prevailing under IAS 39. Interest income will be measured according to the effective interest method using the financial asset's net value (after impairment).

The measurement of expected credit losses is based on 3 main parameters: the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") in light of amortisation profiles. Expected credit losses are measured as the product of the PD, LGD and EAD.

The methodology developed by the Group for the implementation of IFRS 9 is based on existing concepts and methods (in particular the Basel framework) on exposures for which the capital requirement for credit risk is measured according to the IRBA methodology. This method is also applied to portfolios for which the capital requirement for credit risk is measured according to the standardised approach. Besides, the Basel framework needs to be supplemented with the specific provisions of IFRS 9, in particular the use of forward-looking information.

The amount of expected credit loss will be measured on the basis of probability-weighted scenarios, in view of past events, current conditions and reasonable and supportable economic forecasts.

The new impairment model will result in an increase in impairment for credit risk since all financial assets will be subject to a 12-month expected credit loss measurement and since the measurement of expected losses will include the impact of prospective scenarios. Moreover, the scope of assets for which there is a significant increase in credit risk will be different from the scope of assets for which portfolio-based impairment was recognised under IAS 39.

Treatment of restructuring for financial difficulties is likely to remain similar to that prevailing under IAS 39.

The estimated amount of credit risk impairment according to IFRS 9 as at 1 January 2018 is EUR 29.3 billion, compared to EUR 26 billion as at 31 December 2017 under IAS 39.

#### Hedge accounting

The Group will maintain the hedge accounting principles under IAS 39, as allowed by the standard until the new macro-hedging standard comes into force. Additional information required by IFRS 7 as amended by IFRS 9 concerning risk management and the impacts of hedge accounting on the financial statements will be disclosed in the notes to the financial statements. Besides, IFRS 9 does not explicitly address the fair value hedge of the interest rate risk on a portfolio of financial assets or liabilities. The provisions of IAS 39 for these portfolio hedges, as adopted by the European Union, will continue to apply.

#### Transition

The IFRS 9 classification and measurement provisions, as well as its new impairment model, are applicable retrospectively as at 1 January 2018, and the standard introduces the option not to restate the comparative figures for prior periods. BNP Paribas Group will retain this option.

IFRS 9 allows early application of the requirements for the presentation of gains and losses attributable to changes in the credit risk of the financial liabilities designated as at fair value through profit or loss (fair value option). However, the Group decided not to apply these requirements before 1 January 2018.

#### Global impact expected for the first IFRS 9 application

Subject to control and validation works in progress, IFRS 9 application at 1 January 2018 should trigger an estimated net impact on shareholders' equity of EUR -2.5 billion.

### IFRS 15 Revenue from contracts with customers

IFRS 15 "Revenue from Contracts with Customers", issued in May 2014, will supersede a number of standards and interpretations on revenue recognition (in particular IAS 18 "Revenue" and IAS 11 "Construction Contracts"). Revenues from lease contracts, insurance contracts or financial instruments are excluded from the scope of this standard.

Adopted by the European Union on 22 September 2016, IFRS 15 will become mandatory for years beginning on, or after, 1 January 2018.

IFRS 15 defines a single model for recognising revenue based on five-step principles. These five steps make it notably possible to identify the distinct performance obligations in the contracts with customers and to allocate the transaction price to them. The transaction price amounts that are allocated to the different performance obligations are recognised as revenue when the performance obligations are satisfied, namely when the control of the promised goods or services has been transferred.

Revenues from net banking income falling within the scope of application concern in particular the commissions received for banking and similar services provided (except those arising from the effective interest rate), revenues from property development and revenues from services provided in connection with lease contracts.

#### Transition

IFRS 15 is applicable retrospectively as at 1 January 2018 and introduces the option not to restate the comparative figures for prior periods. BNP Paribas Group will retain this option.

The post-tax impact of IFRS 15 application on shareholders' equity as at 1 January 2018 is estimated at EUR -24 million.

This impact is generated by:

- a change in the timing of recognition of revenues derived from maintenance services offered by operating lease entities;
- a change in the timing of recognition of revenues derived from real estate programmes.

### IFRS 16 Leases

IFRS 16 "Leases", issued in January 2016, will supersede IAS 17 "Leases" and the interpretations relating to the accounting of such contracts. The new definition of leases relies on both the identification of an asset and the right to control the identified asset by the lessee.

From the lessor's point of view, the expected impact should be limited, as the requirements of IFRS 16 remain mostly unchanged from the current IAS 17.

For the lessee, IFRS 16 will require recognition in the balance sheet of all leases, in the form of a right-of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period. The right-of-use assets will be amortised on a straight-line basis and the financial liabilities will be amortised on an actuarial basis over the lease period. The main change induced by this new standard is related to contracts which, under IAS 17, met the definition of operating leases, and as such, did not require recognition in the balance sheet of the leased assets.

Adopted for use in the European Union as at 31 October 2017, IFRS 16 will become mandatory for annual periods beginning on or after 1 January 2019. Following the publication of the standard, the Group has started to analyse the standard and define its potential impacts.

### IFRS 17 Insurance Contracts

IFRS 17 "Insurance Contracts", issued in May 2017, will replace IFRS 4 "Insurance Contracts" and will become mandatory for annual periods beginning on or after 1 January 2021, after its adoption by the European Union for application in Europe.

## 1.b CONSOLIDATION

### 1.b.1 Scope of consolidation

The consolidated financial statements of BNP Paribas include entities that are controlled by the Group, jointly controlled, and under significant influence, with the exception of those entities whose consolidation is regarded as immaterial to the Group. Companies that hold shares in consolidated companies are also consolidated.

Subsidiaries are consolidated from the date on which the Group obtains effective control. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

### 1.b.2 Consolidation methods

Controlled enterprises are fully consolidated. The Group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

For entities governed by voting rights, the Group generally controls the entity if it directly or indirectly holds the majority of voting rights and if there are no other agreements altering the power of these voting rights.

Structured entities are defined as entities that are not governed by voting rights, such as when those voting rights relate to administrative tasks only, whereas the relevant activities are directed by means of contractual arrangements. They often have the following features or attributes: restricted activities, a narrow and well-defined objective and insufficient equity to permit them to finance their activities without subordinated financial support.

For these entities, the analysis of control shall consider the purpose and design of the entity, the risks to which the entity is designed to be exposed and to what extent the Group absorbs the related variability. The assessment of control shall consider all facts and circumstances able to determine the Group's practical ability to make decisions that could significantly affect its returns, even if such decisions are contingent on uncertain future events or circumstances.

In assessing whether it has power, the Group considers only substantive rights which it holds or which are held by third parties. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the relevant activities of the entity need to be made.

Control shall be reassessed if facts and circumstances indicate that there are changes to one or more of the elements of control.

Where the Group contractually holds the decision-making power, for instance where the Group acts as fund manager, it shall determine whether it is acting as agent or principal. Indeed, when associated with a certain level of exposure to the variability of returns, this decision-making power may indicate that the Group is acting on its own account and that it thus has control over those entities.

Where the Group carries out an activity with one or more partners, sharing control by virtue of a contractual agreement which requires unanimous consent on relevant activities (those that significantly affect the entity's returns), the Group exercises joint control over the activity. Where the jointly controlled activity is structured through a separate vehicle in which the partners have rights to the net assets, this joint venture is accounted for using the equity method. Where the jointly controlled activity is not structured through a separate vehicle or where the partners have rights to the assets and obligations for the liabilities of the jointly controlled activity, the Group accounts for its share of the assets, liabilities, revenues and expenses in accordance with the applicable IFRSs.

Enterprises over which the Group exercises significant influence (associates) are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decisions of an enterprise without exercising control. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting power of an enterprise. Interests of less than 20% are excluded from consolidation unless they represent a strategic investment and the Group effectively exercises significant influence. This applies to companies developed in partnership with other groups, where the BNP Paribas Group participates in strategic decisions of the enterprise through representation on the Board of Directors or equivalent governing body, exercises influence over the enterprise's operational management by supplying management systems or senior managers, or provides technical assistance to support the enterprise's development.

Changes in the net assets of associates (companies accounted for under the equity method) are recognised on the assets side of the balance sheet under "Investments in equity-method entities" and in the relevant component of shareholders' equity. Goodwill on associates is also included under "Investments in equity-method entities".

Whenever there is an indication of impairment, the carrying amount of the investment consolidated under the equity method (including goodwill) is subjected to an impairment test, by comparing its recoverable value (the higher of value-in-use and market value less costs to sell) to its carrying amount. Where appropriate, impairment is recognised under "Share of earnings of equity-method entities" in the consolidated income statement and can be reversed at a later date.

If the Group's share of losses of an equity-method entity equals or exceeds the carrying amount of its investment in this entity, the Group discontinues including its share of further losses. The investment is reported at nil value. Additional losses of the equity-method entity are provided for only to the extent that the Group has a legal or constructive obligation to do so, or has made payments on behalf of this entity.

Minority interests are presented separately in the consolidated profit and loss account and balance sheet within consolidated equity. The calculation of minority interests takes into account the outstanding cumulative preferred shares classified as equity instruments issued by subsidiaries, when such shares are held outside the Group.

As regards fully consolidated funds, units held by third-party investors are recognised as debts at fair value through profit or loss, inasmuch as they are redeemable at market value at the subscriber's initiative.

For transactions resulting in a loss of control, any equity interest retained by the Group is remeasured at its fair value through profit or loss.

Realised gains and losses on investments in consolidated undertakings are recognised in the profit and loss account under "Net gain on non-current assets".

### 1.b.3 Consolidation procedures

The consolidated financial statements are prepared using uniform accounting policies for reporting like transactions and other events in similar circumstances.

#### 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. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of available-for-sale assets are maintained in the consolidated financial statements.

#### Translation of financial statements expressed in foreign currencies

The consolidated financial statements of BNP Paribas are prepared in euros.

The financial statements of enterprises whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expense items are translated at the average rate for the period.

The same method is applied to the financial statements of enterprises located in hyperinflationary economies, after adjusting for the effects of inflation by applying a general price index.

Differences arising from the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under "Changes in assets and liabilities recognised directly in equity – Exchange rates" for the portion attributable to shareholders, and in "Minority interests" for the portion attributable to outside investors. Under the optional treatment permitted by IFRS 1, the Group has reset to zero all translation differences, by booking all cumulative translation differences attributable to shareholders and to minority interests in the opening balance sheet at 1 January 2004 to retained earnings.

On liquidation or disposal of some or all of an interest held in a foreign enterprise located outside the euro zone, leading to a change in the nature of the investment (loss of control, loss of significant influence or loss of joint control without keeping a significant influence), the cumulative translation adjustment at the date of liquidation or sale, determined according to the step method, is recognised in the profit and loss account.

Should the interest percentage held change without any modification in the nature of the investment, the translation adjustment is reallocated between the portion attributable to shareholders and that attributable to minority interests, if the enterprise is fully consolidated. For enterprises consolidated under the equity method, the portion related to the interest sold is recognised in the profit and loss account.

### 1.b.4 Business combinations and measurement of goodwill

#### Business combinations

Business combinations are accounted for using the purchase method.

Under this method, the acquiree's identifiable assets and liabilities assumed are measured at fair value at the acquisition date except for non-current assets classified as assets held for sale, which are accounted for at fair value less costs to sell.

The acquiree's contingent liabilities are not recognised in the consolidated balance sheet unless they represent a present obligation on the acquisition date and their fair value can be measured reliably.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued to obtain control of the acquiree. Costs directly attributable to the business combination are treated as a separate transaction and recognised through profit or loss.

Any contingent consideration is included in the cost, as soon as control is obtained, at fair value on the date when control was acquired. Subsequent changes in the value of any contingent consideration recognised as a financial liability are recognised through profit or loss.

The Group may recognise any adjustments to the provisional accounting within 12 months of the acquisition date.

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets and liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, while negative goodwill is recognised immediately in profit or loss, on the acquisition date. Minority interests are measured at their share of the fair value of the acquiree's identifiable assets and liabilities. However, for each business combination, the Group can elect to measure minority interests at fair value, in which case a proportion of goodwill is allocated to them. To date, the Group has never used this latter option.

Goodwill is recognised in the functional currency of the acquiree and translated at the closing exchange rate.

On the acquisition date, any previously held equity interest in the acquiree is remeasured at its fair value through profit or loss. In the case of a step acquisition, the goodwill is therefore determined by reference to the acquisition-date fair value.

Since the revised IFRS 3 is applied prospectively, business combinations completed prior to 1 January 2010 were not restated for the effects of changes to IFRS 3.

As permitted under IFRS 1, business combinations that took place before 1 January 2004 and were recorded in accordance with the previously applicable accounting standards (French GAAP), have not been restated in accordance with the principles of IFRS 3.

### Measurement of goodwill

The BNP Paribas Group tests goodwill for impairment on a regular basis.

#### Cash-generating units

The BNP Paribas Group has split all its activities into cash-generating units[(1)] representing major business lines. This split is consistent with the Group's organisational structure and management methods, and reflects the independence of each unit in terms of results and management approach. It is reviewed on a regular basis in order to take account of events likely to affect the composition of cash-generating units, such as acquisitions, disposals and major reorganisations.

#### Testing cash-generating units for impairment

Goodwill allocated to cash-generating units is tested for impairment annually and whenever there is an indication that a unit may be impaired, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognised, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount.

#### Recoverable amount of a cash-generating unit

The recoverable amount of a cash-generating unit is the higher of the fair value of the unit less costs to sell, and its value in use.

Fair value is the price that would be obtained from selling the unit at the market conditions prevailing at the date of measurement, as determined mainly by reference to actual prices of recent transactions involving similar entities or on the basis of stock market multiples for comparable companies.

Value in use is based on an estimate of the future cash flows to be generated by the cash-generating unit, derived from the annual forecasts prepared by the unit's management and approved by Group Executive Management, and from analyses of changes in the relative positioning of the unit's activities on their market. These cash flows are discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

## 1.c FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 1.c.1 Loans and receivables

Loans and receivables include credit provided by the Group, the Group's share in syndicated loans, and purchased loans that are not quoted in an active market, unless they are held for trading purposes. Loans that are quoted in an active market are classified as "Available-for-sale financial assets" and measured using the methods applicable to this category.

Loans and receivables are initially measured at fair value or equivalent, which is usually the net amount disbursed at inception including directly attributable origination costs and certain types of fees or commission (syndication commission, commitment fees and handling charges) that are regarded as an adjustment to the effective interest rate on the loan.

Loans and receivables are subsequently measured at amortised cost. The income from the loan, representing interest plus transaction costs and fees/commission included in the initial value of the loan, is calculated using the effective interest method and taken to profit or loss over the life of the loan.

Commission earned on financing commitments prior to the inception of a loan is deferred and included in the value of the loan when the loan is made.

Commission earned on financing commitments when the probability of drawdown is low, or when there is uncertainty as to the timing and amount of drawdowns, is recognised on a straight-line basis over the life of the commitment.

### 1.c.2 Regulated savings and loan contracts

Home savings accounts (*Comptes Épargne-Logement* – "CEL") and home savings plans (*Plans d'Épargne Logement* – "PEL") are government-regulated retail products sold in France. They combine a savings phase and a loan phase which are inseparable, with the loan phase contingent upon the savings phase.

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*(1) As defined by IAS 36.*

These products contain two types of obligations for BNP Paribas: an obligation to pay interest on the savings for an indefinite period, at a rate set by the government at the inception of the contract (in the case of PEL products) or at a rate reset every six months using an indexation formula set by law (in the case of CEL products); and an obligation to lend to the customer (at the customer's option) an amount contingent upon the rights acquired during the savings phase, at a rate set at the inception of the contract (in the case of PEL products) or at a rate contingent upon the savings phase (in the case of CEL products).

The Group's future obligations with respect to each generation (in the case of PEL products, a generation comprises all products with the same interest rate at inception; in the case of CEL products, all such products constitute a single generation) are measured by discounting potential future earnings from at-risk outstandings for that generation.

At-risk outstandings are estimated on the basis of a historical analysis of customer behaviour, and are equivalent to:

- for the loan phase: statistically probable loans outstanding and actual loans outstanding;
- for the savings phase: the difference between statistically probable outstandings and minimum expected outstandings, with minimum expected outstandings being deemed equivalent to unconditional term deposits.

Earnings for future periods from the savings phase are estimated as the difference between the reinvestment rate and the fixed savings interest rate on at-risk savings outstanding for the period in question. Earnings for future periods from the loan phase are estimated as the difference between the refinancing rate and the fixed loan interest rate on at-risk loans outstanding for the period in question.

The reinvestment rate for savings and the refinancing rate for loans are derived from the swap yield curve and from the spreads expected on financial instruments of similar type and maturity. Spreads are determined on the basis of actual spreads on fixed rate home loans in the case of the loan phase and products offered to individual clients in the case of the savings phase. In order to reflect the uncertainty of future interest rate trends, and the impact of such trends on customer behaviour models and on at-risk outstandings, the obligations are estimated using the Monte-Carlo method.

Where the sum of the Group's estimated future obligations with respect to the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for the Group, a provision is recognised (with no offset between generations) in the balance sheet in "Provisions for contingencies and charges". Movements in this provision are recognised as interest income in the profit and loss account.

## 1.c.3 Securities

### Categories of securities

Securities held by the Group are classified into one of four categories.

#### Financial assets at fair value through profit or loss

Apart from derivative instruments, financial assets at fair value through profit or loss are composed of:

- financial assets held for trading purposes;
- financial assets that the Group has designated, on initial recognition, at fair value through profit or loss using the fair value option available under IAS 39. The conditions for applying the fair value option are set out in section 1.c.11.

Securities in this category are measured at fair value at the balance sheet date. Transaction costs are directly posted in the profit and loss account. Changes in fair value (excluding accrued interest on fixed-income securities) are presented in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss", along with dividends from variable-income securities and realised gains and losses on disposal.

Income earned on fixed-income securities classified into this category is shown under "Interest income" in the profit and loss account.

#### Loans and receivables

Securities with fixed or determinable payments that are not traded on an active market, apart from securities for which the owner may not recover almost all of its initial investment due to reasons other than credit deterioration, are classified as "Loans and receivables" if they do not meet the criteria to be classified as "Financial assets at fair value through profit or loss". These securities are measured and recognised as described in section 1.c.1.

#### Held-to-maturity financial assets

Held-to-maturity financial assets are investments with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold until maturity. Hedges contracted to cover assets in this category against interest rate risk do not qualify for hedge accounting as defined in IAS 39.

Assets in this category are accounted for at amortised cost using the effective interest method, which builds in amortisation of premium and discount (corresponding to the difference between the purchase price and redemption value of the asset) and acquisition costs (where material). Income earned from this category of assets is included in "Interest income" in the profit and loss account.

#### Available-for-sale financial assets

Available-for-sale financial assets are fixed-income and variable-income securities other than those classified as "fair value through profit or loss" or "held-to-maturity" or "loans and receivables".

Assets included in the available-for-sale category are initially recorded at fair value, plus transaction costs where material. At the balance sheet date, they are remeasured at fair value, with changes in fair value (excluding accrued interest) shown on a separate line in shareholders' equity. Upon disposal, these unrealised gains and losses are transferred from shareholders' equity to the profit and loss account, where they are shown on the line "Net gain/loss on available-for-sale financial assets". The same applies in the event of impairment.

Income recognised using the effective interest method for fixed-income available-for-sale securities is recorded under "Interest income" in the profit and loss account. Dividend income from variable-income securities is recognised under "Net gain/loss on available-for-sale financial assets" when the Group's right to receive payment is established.

### Repurchase agreements and securities lending/borrowing

Securities temporarily sold under repurchase agreements continue to be recorded in the Group's balance sheet in the category of securities to which they belong. The corresponding liability is recognised in the appropriate debt category on the balance sheet except in the case of repurchase agreements contracted for trading purposes where the corresponding liability is classified under "Financial liabilities at fair value through profit or loss".

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Group's balance sheet. The corresponding receivable is recognised under "Loans and receivables" except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised under "Financial assets at fair value through profit or loss".

Securities lending transactions do not result in derecognition of the lent securities, and securities borrowing transactions do not result in recognition of the borrowed securities on the balance sheet. In cases where the borrowed securities are subsequently sold by the Group, the obligation to deliver the borrowed securities on maturity is recognised on the balance sheet under "Financial liabilities at fair value through profit or loss".

### Date of recognition for securities transactions

Securities classified as at fair value through profit or loss, held-to-maturity or available-for-sale financial assets are recognised at the trade date.

Regardless of their classification (at fair value through profit or loss, loans and receivables or debt), temporary sales of securities as well as sales of borrowed securities are initially recognised at the settlement date. For reverse repurchase agreements and repurchase agreements, a financing commitment, respectively given and received, is recognized between the trade date and the settlement date when the transactions are recognised, respectively, as "Loans and receivables" and "Liabilities". When reverse repurchase agreements and repurchase agreements are recognised, respectively, as "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss", the repurchase commitment is recognised as a derivative financial instrument.

Securities transactions are carried on the balance sheet until the Group's rights to receive the related cash flows expire, or until the Group has substantially transferred all the risks and rewards related to ownership of the securities.

## 1.c.4 Foreign currency transactions

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by the Group, and to measure the foreign exchange risk arising on such transactions, depend on whether the asset or liability in question is classified as a monetary or a non-monetary item.

### Monetary assets and liabilities[(1)] expressed in foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Group entity at the closing rate. Translation differences are recognised in the profit and loss account, except for those arising from financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

### Non-monetary assets and liabilities expressed in foreign currencies

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction if they are measured at historical cost, and at the closing rate if they are measured at fair value.

Translation differences on non-monetary assets expressed in foreign currencies and measured at fair value (variable-income securities) are recognised in the profit and loss account if the asset is classified under "Financial assets at fair value through profit or loss", and in shareholders' equity if the asset is classified under "Available-for-sale financial assets", unless the financial asset in question is designated as an item hedged against foreign exchange risk in a fair value hedging relationship, in which case the translation difference is recognised in the profit and loss account.

## 1.c.5 Impairment and restructuring of financial assets

### Doubtful assets

Doubtful assets are defined as assets where the Bank considers that there is a risk that the debtors will be unable to honour all or part of their commitments.

### Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by the Group, with the probability of drawdown taken into account in any assessment of financing commitments.

At an individual level, objective evidence that a financial asset is impaired includes observable data regarding the following events:

- the existence of accounts that are more than three months past due;
- knowledge or indications that the borrower meets significant financial difficulty, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments;
- concessions with respect to the credit terms granted to the borrower that the lender would not have considered had the borrower not been meeting financial difficulty (see section *Restructuring of assets classified as "Loans and receivables"*).

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are recognised in the profit and loss account under "Cost of risk". Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the profit and loss account, also under "Cost of risk". Once an asset has been impaired, the theoretical income earned

*(1) Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of cash.*

on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under "Interest income" in the profit and loss account.

Impairment losses on loans and receivables are usually recorded in a separate provision account which reduces the amount for which the loan or receivable was recorded in assets upon initial recognition. Provisions relating to off-balance sheet financial instruments, financing and guarantee commitments or disputes are recognised in liabilities. Impaired receivables are written off in whole or in part and the corresponding provision is reversed for the amount of the loss when all other means available to the Bank for recovering the receivables or guarantees have failed, or when all or part of the receivables have been waived.

Counterparties that are not individually impaired are risk-assessed on a portfolio basis with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables the Group to identify groups of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are recognised in the profit and loss account under "Cost of risk".

Based on the experienced judgement of the Bank's divisions or Risk Management, the Group may recognise additional collective impairment provisions with respect to a given economic sector or geographic area affected by exceptional economic events. This may be the case when the consequences of these events cannot be measured with sufficient accuracy to adjust the parameters used to determine the collective provision recognised against affected portfolios of loans with similar characteristics.

### Impairment of available-for-sale financial assets

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition.

In the case of variable-income securities quoted in an active market, the control system identifies securities that may be impaired on a long term basis and is based on criteria such as a significant decline in quoted price below the acquisition cost or a prolonged decline, which prompts the Group to carry out an additional individual qualitative analysis. This may lead to the recognition of an impairment loss calculated on the basis of the quoted price.

Apart from the identification criteria, the Group has determined three indications of impairment, one being a significant decline in price, defined as a fall of more than 50% of the acquisition price, another being a prolonged decline over two consecutive years and the final one being a decline on average of at least 30% over an observation period of one year. The Group believes that a period of two years is what is necessary for a moderate decline in price below the purchase cost to be considered as something more than just the effect of random volatility inherent in the stock markets or a cyclical change lasting a few years, but which represents a lasting phenomenon justifying an impairment.

A similar method is applied for variable-income securities not quoted in an active market. Any impairment is then determined based on the model value.

In the case of fixed-income securities, impairment is assessed based on the same criteria applied to individually impaired loans and receivables. For securities quoted in an active market, impairment is determined based on the quoted price. For all the others, it is determined based on model value.

Impairment losses taken against variable-income securities are recognised as a component of Revenues on the line "Net gain/loss on available-for-sale financial assets", and may not be reversed through the profit and loss account until these securities are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the profit and loss account.

Impairment losses taken against fixed-income securities are recognised under "Cost of risk", and may be reversed through the profit and loss account in the event of an increase in fair value that relates objectively to an event occurring after the last impairment was recognised.

### Restructuring of assets classified as "Loans and receivables"

The restructuring of an asset classified in loans and receivables is considered to be a troubled debt restructuring when the Bank, for economic or legal reasons related to the borrower's financial difficulties, agrees to a modification of terms of the original transaction that it would not otherwise consider, resulting in the borrower's contractual obligation to the Bank, measured at present value, being reduced compared with the original terms.

At the time of restructuring, a discount is applied to the loan to reduce its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate.

The decrease in the asset value is recognised in the profit and loss account under "Cost of risk".

When the restructuring consists of a partial or full settlement with other substantially different assets, the original debt (see note 1.c.14) and the assets received in settlement are recognised at their fair value on the settlement date. The difference in value is recognised in profit or loss under "Cost of risk".

## 1.c.6 Reclassification of financial assets

The only authorised reclassifications of financial assets are the following:

- For a non-derivative financial asset which is no longer held for the purposes of selling it in the near-term, out of "Financial assets at fair value through profit or loss" and into:
  - "Loans and receivables" if the asset meets the definition for this category and the Group has the intention and ability to hold the asset for the foreseeable future or until maturity, or
  - other categories only under rare circumstances when justified and provided that the reclassified assets meet the conditions applicable to the host portfolio;

- Out of "Available-for-sale financial assets" and into:
  - "Loans and receivables" with the same conditions as set out above for "Financial assets at fair value through profit or loss",
  - "Held-to-maturity financial assets", for assets that have a maturity, or "Financial assets at cost", for unlisted variable-income assets.

Financial assets are reclassified at fair value, or at the value calculated by a model, on the reclassification date. Any derivatives embedded in the reclassified financial assets are recognised separately and changes in fair value are recognised through profit or loss.

After reclassification, assets are recognised according to the provisions applied to the host portfolio. The transfer price on the reclassification date is deemed to be the initial cost of the asset for the purpose of determining any impairment.

In the event of reclassification from "Available-for-sale financial assets" to another category, gains or losses previously recognised through equity are amortised to profit or loss over the residual life of the instrument using the effective interest method.

Any upward revisions to the estimated recoverable amounts are recognised through an adjustment to the effective interest rate as of the date on which the estimate is revised. Downward revisions are recognised through an adjustment to the financial asset's carrying amount.

### 1.c.7 Issues of debt securities

Financial instruments issued by the Group are qualified as debt instruments if the Group company issuing the instruments has a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if the Group is required to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group, or to deliver a variable number of the Group's own equity instruments.

Issues of debt securities are initially recognised at the issue value including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

### 1.c.8 Own equity instruments and own equity instrument derivatives

The term "own equity instruments" refers to shares issued by the parent company (BNP Paribas SA) and by its fully consolidated subsidiaries. External costs that are directly attributable to an issue of new shares are deducted from equity net of all related taxes.

Own equity instruments held by the Group, also known as treasury shares, are deducted from consolidated shareholders' equity irrespective of the purpose for which they are held. Gains and losses arising on such instruments are eliminated from the consolidated profit and loss account.

When the Group acquires equity instruments issued by subsidiaries under the exclusive control of BNP Paribas, the difference between the acquisition price and the share of net assets acquired is recorded in retained earnings attributable to BNP Paribas shareholders. Similarly, the liability corresponding to put options granted to minority shareholders in such subsidiaries, and changes in the value of that liability, are offset initially against minority interests, with any surplus offset against retained earnings attributable to BNP Paribas shareholders. Until these options have been exercised, the portion of net income attributable to minority interests is allocated to minority interests in the profit and loss account. A decrease in the Group's interest in a fully consolidated subsidiary is recognised in the Group's accounts as a change in shareholders' equity.

Own equity instrument derivatives are treated as follows, depending on the method of settlement:

- as equity instruments if they are settled by physical delivery of a fixed number of own equity instruments for a fixed amount of cash or other financial asset. Such instruments are not revalued;
- as derivatives if they are settled in cash, or by choice, depending on whether they are settled by physical delivery of the shares or in cash. Changes in value of such instruments are taken to the profit and loss account.

If the contract includes an obligation, whether contingent or not, for the bank to repurchase its own shares, the bank must recognise the debt at its present value with an offsetting entry in equity.

### 1.c.9 Derivative instruments and hedge accounting

All derivative instruments are recognised in the balance sheet on the trade date at the transaction price, and are remeasured to fair value on the balance sheet date.

#### Derivatives held for trading purposes

Derivatives held for trading purposes are recognised in the balance sheet in "Financial assets at fair value through profit or loss" when their fair value is positive, and in "Financial liabilities at fair value through profit or loss" when their fair value is negative. Realised and unrealised gains and losses are recognised in the profit and loss account on the line "Net gain/loss on financial instruments at fair value through profit or loss".

#### Derivatives and hedge accounting

Derivatives contracted as part of a hedging relationship are designated according to the purpose of the hedge.

Fair value hedges are particularly used to hedge interest rate risk on fixed rate assets and liabilities, both for identified financial instruments (securities, debt issues, loans, borrowings) and for portfolios of financial instruments (in particular, demand deposits and fixed rate loans).

Cash flow hedges are particularly used to hedge interest rate risk on floating-rate assets and liabilities, including rollovers, and foreign exchange risks on highly probable forecast foreign currency revenues.

At the inception of the hedge, the Group prepares formal documentation which details the hedging relationship, identifying the instrument, or portion of the instrument, or portion of risk that is being hedged, the hedging strategy and the type of risk hedged, the hedging instrument, and the methods used to assess the effectiveness of the hedging relationship.

On inception and at least quarterly, the Group assesses, in consistency with the original documentation, the actual (retrospective) and expected (prospective) effectiveness of the hedging relationship. Retrospective effectiveness tests are designed to assess whether the ratio of actual changes in the fair value or cash flows of the hedging instrument to those in the hedged item is within a range of 80% to 125%. Prospective effectiveness tests are designed to ensure that expected changes in the fair value or cash flows of the derivative over the residual life of the hedge adequately offset those of the hedged item. For highly probable forecast transactions, effectiveness is assessed largely on the basis of historical data for similar transactions.

Under IAS 39 as adopted by the European Union, which excludes certain provisions on portfolio hedging, interest rate risk hedging relationships based on portfolios of assets or liabilities qualify for fair value hedge accounting as follows:

- the risk designated as being hedged is the interest rate risk associated with the interbank rate component of interest rates on commercial banking transactions (loans to customers, savings accounts and demand deposits);
- the instruments designated as being hedged correspond, for each maturity band, to a portion of the interest rate gap associated with the hedged underlyings;
- the hedging instruments used consist exclusively of "plain vanilla" swaps;
- prospective hedge effectiveness is established by the fact that all derivatives must, on inception, have the effect of reducing interest rate risk in the portfolio of hedged underlyings. Retrospectively, a hedge will be disqualified from hedge accounting once a shortfall arises in the underlyings specifically associated with that hedge for each maturity band (due to prepayment of loans or withdrawals of deposits).

The accounting treatment of derivatives and hedged items depends on the hedging strategy.

In a fair value hedging relationship, the derivative instrument is remeasured at fair value in the balance sheet, with changes in fair value recognised in profit or loss in "Net gain/loss on financial instruments at fair value through profit or loss", symmetrically with the remeasurement of the hedged item to reflect the hedged risk. In the balance sheet, the fair value remeasurement of the hedged component is recognised in accordance with the classification of the hedged item in the case of a hedge of identified assets and liabilities, or under "Remeasurement adjustment on interest rate risk hedged portfolios" in the case of a portfolio hedging relationship.

If a hedging relationship ceases or no longer fulfils the effectiveness criteria, the hedging instrument is transferred to the trading book and accounted for using the treatment applied to this category. In the case of identified fixed-income instruments, the remeasurement adjustment recognised in the balance sheet is amortised at the effective interest rate over the remaining life of the instrument. In the case of interest rate risk hedged fixed-income portfolios, the adjustment is amortised on a straight-line basis over the remainder of the original term of the hedge. If the hedged item no longer appears in the balance sheet, in particular due to prepayments, the adjustment is taken to the profit and loss account immediately.

In a cash flow hedging relationship, the derivative is measured at fair value in the balance sheet, with changes in fair value taken to shareholders' equity on a separate line, "Unrealised or deferred gains or losses". The amounts taken to shareholders' equity over the life of the hedge are transferred to the profit and loss account under "Net interest income" as and when the cash flows from the hedged item impact profit or loss. The hedged items continue to be accounted for using the treatment specific to the category to which they belong.

If the hedging relationship ceases or no longer fulfils the effectiveness criteria, the cumulative amounts recognised in shareholders' equity as a result of the remeasurement of the hedging instrument remain in equity until the hedged transaction itself impacts profit or loss, or until it becomes clear that the transaction will not occur, at which point they are transferred to the profit and loss account.

If the hedged item ceases to exist, the cumulative amounts recognised in shareholders' equity are immediately taken to the profit and loss account.

Whatever the hedging strategy used, any ineffective portion of the hedge is recognised in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss".

Hedges of net foreign currency investments in subsidiaries and branches are accounted for in the same way as cash flow hedges. Hedging instruments may be currency derivatives or any other non-derivative financial instrument.

### Embedded derivatives

Derivatives embedded in hybrid financial instruments are separated from the value of the host contract and accounted for separately as a derivative if the hybrid instrument is not recorded as a financial asset or liability at fair value through profit or loss, and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

## 1.c.10 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date.

The Group determines the fair value of financial instruments either by using prices obtained directly from external data or by using valuation techniques. These valuation techniques are primarily market and income approaches encompassing generally accepted models (e.g. discounted cash flows, Black-Scholes model, and interpolation techniques). They maximize the use of observable inputs and minimize the use of unobservable inputs. They are calibrated to reflect current market conditions and valuation adjustments are applied as appropriate, when some factors such as model, liquidity and credit risks are not captured by the models or their underlying inputs but are nevertheless considered by market participants when setting the exit price.

The unit of measurement is generally the individual financial asset or financial liability but a portfolio-based measurement can be elected, subject to certain conditions. Accordingly, the Group retains this portfolio-based measurement exception to determine the fair value when some group of financial assets and financial liabilities and other contracts within the scope of the standard relating to financial instruments with substantially similar and offsetting market risks or credit risks are managed on the basis of a net exposure, in accordance with the documented risk management strategy.

Assets and liabilities measured or disclosed at fair value are categorised into the three following levels of the fair value hierarchy:

- Level 1: fair values are determined using directly quoted prices in active markets for identical assets and liabilities. Characteristics of an active market include the existence of a sufficient frequency and volume of activity and of readily available prices.
- Level 2: fair values are determined based on valuation techniques for which significant inputs are observable market data, either directly or indirectly. These techniques are regularly calibrated and the inputs are corroborated with information from active markets.
- Level 3: fair values are determined using valuation techniques for which significant inputs are unobservable or cannot be corroborated by market-based observations, due for instance to illiquidity of the instrument and significant model risk. An unobservable input is a parameter for which there are no market data available and that is therefore derived from proprietary assumptions about what other market participants would consider when assessing fair value. The assessment of whether a product is illiquid or subject to significant model risks is a matter of judgment.

The level in the fair value hierarchy within which the asset or liability is categorised in its entirety is based upon the lowest level input that is significant to the entire fair value.

For financial instruments disclosed in Level 3 of the fair value hierarchy, a difference between the transaction price and the fair value may arise at initial recognition. This "Day One Profit" is deferred and released to the profit and loss account over the period during which the valuation parameters are expected to remain non-observable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated in comparison with recent similar transactions in an active market, the unrecognised portion of the day one profit is released to the profit and loss account.

### 1.c.11 Financial assets and liabilities designated as at fair value through profit or loss (fair value option)

Financial assets or financial liabilities may be designated on initial recognition as at fair value through profit or loss, in the following cases:

- hybrid financial instruments containing one or more embedded derivatives which otherwise would have been separated and accounted for separately;
- where using the option enables the entity to eliminate or significantly reduce a mismatch in the measurement and accounting treatment of assets and liabilities that would arise if they were to be classified in separate categories;
- when a group of financial assets and/or financial liabilities is managed and measured on the basis of fair value, in accordance with a documented risk management and investment strategy.

### 1.c.12 Income and expenses arising from financial assets and financial liabilities

Income and expenses arising from financial instruments measured at amortised cost and from fixed-income securities classified in "Available-for-sale financial assets" are recognised in the profit and loss account using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the asset or liability in the balance sheet. The effective interest rate calculation takes into account all fees received or paid that are an integral part of the effective interest rate of the contract, transaction costs, and premiums and discounts.

The method used by the Group to recognise service-related commission income and expenses depends on the nature of the service. Commission treated as an additional component of interest is included in the effective interest rate, and is recognised in the profit and loss account in "Net interest income". Commission payable or receivable on execution of a significant transaction is recognised in the profit and loss account in full on execution of the transaction, under "Commission income and expense". Commission payable or receivable for recurring services is recognised over the term of the service, also under "Commission income and expense".

Commission received in respect of financial guarantee commitments is regarded as representing the fair value of the commitment. The resulting liability is subsequently amortised over the term of the commitment, under commission income in Revenues.

### 1.c.13 Cost of risk

Cost of risk includes movements in provisions for impairment of fixed-income securities and loans and receivables due from customers and credit institutions, movements in provisions for financing and guarantee commitments given, losses on irrecoverable loans and amounts recovered on loans written off. This caption also includes impairment losses recorded with respect to default risk incurred on counterparties for over-the-counter financial instruments, as well as expenses relating to fraud and to disputes inherent to the financing business.

### 1.c.14 Derecognition of financial assets and financial liabilities

The Group derecognises all or part of a financial asset either when the contractual rights to the cash flows from the asset expire or when the Group transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Group retains the asset in its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

The Group derecognises all or part of a financial liability when the liability is extinguished in full or in part.

### 1.c.15 Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented in the balance sheet if, and only if, the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Repurchase agreements and derivatives traded with clearing houses that meet the two criteria set out in the accounting standard are offset in the balance sheet.

## 1.d ACCOUNTING STANDARDS SPECIFIC TO THE INSURANCE BUSINESS

The specific accounting policies relating to assets and liabilities generated by insurance contracts and financial contracts with a discretionary participation feature written by fully consolidated insurance companies are retained for the purposes of the consolidated financial statements. These policies comply with IFRS 4.

All other insurance company assets and liabilities are accounted for using the policies applied to the Group's assets and liabilities generally, and are included in the relevant balance sheet and profit and loss account headings in the consolidated financial statements.

### 1.d.1 Assets

Financial assets and property are accounted for using the policies described elsewhere in this note. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date with changes in fair value taken to profit or loss.

Financial assets and property representing technical provisions related to unit-linked business are shown respectively in "Financial assets at fair value through profit or loss" and in "Investment property", and are stated at the realisable value of the underlying assets at the balance sheet date.

### 1.d.2 Liabilities

The Group's obligations to policyholders and beneficiaries are shown in "Technical reserves of insurance companies" and are comprised of liabilities relating to insurance contracts carrying a significant insurance risk (e.g., mortality or disability) and to financial contracts with a discretionary participation feature, which are covered by IFRS 4. A discretionary participation feature is one which gives life policyholders the right to receive a share of actual profits as a supplement to guaranteed benefits.

Liabilities relating to other financial contracts, which are covered by IAS 39, are shown in "Due to customers".

Unit-linked contract liabilities are measured in reference to the fair value of the underlying assets at the balance sheet date.

The benefits offered for life insurance relate mainly to the risk of death (term life insurance, annuities, loan repayment, guaranteed minimum on unit-linked contracts) and, for borrowers' insurance, to disability, incapacity and unemployment risks. These types of risks are controlled by the use of appropriate mortality tables (certified tables in the case of annuity-holders), medical screening appropriate to the level of benefit offered, statistical monitoring of insured populations, and reinsurance programmes.

For life insurance, technical reserves consist mainly of mathematical reserves which correspond, as a minimum, to the surrender value of the contract.

Non-life technical reserves consist of unearned premium reserves (corresponding to the portion of written premiums relating to future periods) and outstanding claims reserves, inclusive of claims handling costs.

The adequacy of technical reserves (net of unamortised acquisition costs) is tested at the balance sheet date by comparing them with the average value of future cash flows as derived from stochastic analyses. Any adjustments to technical reserves are taken to the profit and loss account for the period.

A capitalisation reserve is set up in individual statutory accounts of French life-insurance companies on the sale of amortisable securities in order to defer part of the net realised gain and hence maintain the yield to maturity on the portfolio of admissible assets. In the consolidated financial statements, this reserve is reclassified into "Policyholders' surplus" on the liabilities side of the consolidated balance sheet, to the extent that it is highly probable it will be used.

The policyholders' surplus reserve also includes amounts resulting from the application of shadow accounting representing the interest of policyholders, mainly within French life insurance subsidiaries, in unrealised gains and losses on assets where the benefit paid under the policy is linked to the return on those assets. This interest is an average derived from stochastic analyses of unrealised gains and losses attributable to policyholders in various scenarios.

In the event of an unrealised loss on shadow accounted assets, a policyholders' loss reserve is recognised on the assets side of the consolidated balance sheet in an amount equal to the probable deduction from the policyholders' future profit share. The recoverability of the policyholders' loss reserve is assessed prospectively, taking into account policyholders' surplus reserves recognised elsewhere, capital gains on financial assets that are not shadow accounted due to accounting elections made (held-to-maturity financial assets and property investments measured at cost) and the Company's ability and intention to hold the assets carrying the unrealised loss. The policyholders' loss reserve is recognised symmetrically with the corresponding assets and shown on the assets side of the balance sheet under the line item "Accrued income and other assets".

### 1.d.3 Profit and loss account

Income and expenses arising on insurance contracts written by the Group are recognised in the profit and loss account under "Income from other activities" and "Expense on other activities".

Other insurance company income and expenses are included in the relevant profit and loss account item. Consequently, movements in the policyholders' surplus reserve are shown on the same line as gains and losses on the assets that generated the movements.

## 1.e PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets shown in the consolidated balance sheet are composed of assets used in operations and investment property.

Assets used in operations are those used in the provision of services or for administrative purposes, and include non-property assets leased by the Group as lessor under operating leases.

Investment property comprises property assets held to generate rental income and capital gains.

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.

Software developed internally by the BNP Paribas 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.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses. The only exceptions are shares in civil property companies (SCIs) held in unit-linked insurance contract portfolios, which are measured at fair value on the balance sheet date, with changes in fair value taken to profit or loss.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Only assets leased by the Group as the lessor under operating leases are presumed to have a residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight-line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

Where an asset consists of a number of components which may require replacement at regular intervals, or which have different uses or generate economic benefits at different rates, each component is recognised separately and depreciated using a method appropriate to that component. The BNP Paribas Group has adopted the component-based approach for property used in operations and for investment property.

The depreciation periods used for office property are as follows: 80 years or 60 years for the shell (for prime and other property respectively); 30 years for facades; 20 years for general and technical installations; and 10 years for fixtures and fittings.

Software is amortised, depending on its type, over periods of no more than 8 years in the case of infrastructure developments and 3 years or 5 years in the case of software developed primarily for the purpose of providing services to customers.

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.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the balance sheet date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in “Net gain on non-current assets”.

Gains and losses on disposals of investment property are recognised in the profit and loss account in “Income from other activities” or “Expense on other activities”.



## 1.f LEASES

Group companies may either be the lessee or the lessor in a lease agreement.

### 1.f.1 Lessor accounting

Leases contracted by the Group as lessor are categorised as either finance leases or operating leases.

#### Finance leases

In a finance lease, the lessor transfers substantially all the risks and rewards of ownership of an asset to the lessee. It is treated as a loan made to the lessee to finance the purchase of the asset.

The present value of the lease payments, plus any residual value, is recognised as a receivable. The net income earned from the lease by the lessor is equal to the amount of interest on the loan, and is taken to the profit and loss account under “Interest income”. The lease payments are spread over the lease term, and are allocated to reduction of the principal and to interest such that the net income reflects a constant rate of return on the net investment outstanding in the lease. The rate of interest used is the rate implicit in the lease.

Individual and portfolio impairments of lease receivables are determined using the same principles as applied to other loans and receivables.

#### Operating leases

An operating lease is a lease under which substantially all the risks and rewards of ownership of an asset are not transferred to the lessee.

The asset is recognised under property, plant and equipment in the lessor’s balance sheet and depreciated on a straight-line basis over its useful life. The depreciable amount excludes the residual value of the asset. The lease payments are taken to the profit and loss account in full on a straight-line basis over the lease term. Lease payments and depreciation expenses are taken to the profit and loss account under “Income from other activities” and “Expense on other activities”.

### 1.f.2 Lessee accounting

Leases contracted by the Group as lessee are categorised as either finance leases or operating leases.

#### Finance leases

A finance lease is treated as an acquisition of an asset by the lessee, financed by a loan. The leased asset is recognised in the balance sheet of the lessee at the lower of its fair value or the present value of the minimum lease payments calculated at the interest rate implicit in the lease. A matching liability, equal to the fair value of the leased asset or the present value of the minimum lease payments, is also recognised in the balance sheet of the lessee. The asset is depreciated using the same method as that applied to owned assets, after deducting the residual value from the amount initially recognised, over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. The lease obligation is accounted for at amortised cost.

#### Operating leases

The asset is not recognised in the balance sheet of the lessee. Lease payments made under operating leases are taken to the profit and loss account of the lessee on a straight-line basis over the lease term.



## 1.g NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Where the Group decides to sell non-current assets and it is highly probable that the sale will occur within 12 months, these assets are shown separately in the balance sheet, on the line "Non-current assets held for sale". Any liabilities associated with these assets are also shown separately in the balance sheet, on the line "Liabilities associated with non-current assets held for sale".

Once classified in this category, non-current assets and groups of assets and liabilities are measured at the lower of carrying amount or fair value less costs to sell.

Such assets are no longer depreciated. If an asset or group of assets and liabilities becomes impaired, an impairment loss is recognised in the profit and loss account. Impairment losses may be reversed.

Where a group of assets and liabilities held for sale represents a cash generating unit, it is categorised as a "discontinued operation". Discontinued operations include operations that are held for sale, operations that have been shut down, and subsidiaries acquired exclusively with a view to resell.

All gains and losses related to discontinued operations are shown separately in the profit and loss account, on the line "Post-tax gain/loss on discontinued operations and assets held for sale". This line includes the post-tax profits or losses of discontinued operations, the post-tax gain or loss arising from remeasurement at fair value less costs to sell, and the post-tax gain or loss on disposal of the operation.

## 1.h EMPLOYEE BENEFITS

Employee benefits are classified in one of four categories:

- short-term benefits, such as salary, annual leave, incentive plans, profit-sharing and additional payments;
- long-term benefits, including compensated absences, long-service awards, and other types of cash-based deferred compensation;
- termination benefits;
- post-employment benefits, including top-up banking industry pensions and retirement bonuses in France and pension plans in other countries, some of which are operated through pension funds.

#### Short-term benefits

The Group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

#### Long-term benefits

These are benefits, other than short-term benefits, post-employment benefits and termination benefits. This relates, in particular, to compensation deferred for more than 12 months and not linked to the BNP Paribas share price, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that the revaluation items are recognised in the profit and loss account and not in equity.

#### Termination benefits

Termination benefits are employee benefits payable in exchange for the termination of an employee's contract as a result of either a decision by the Group to terminate a contract of employment before the legal retirement age, or a decision by an employee to accept voluntary redundancy in exchange for these benefits. Termination benefits due more than 12 months after the balance sheet date are discounted.

#### Post-employment benefits

In accordance with IFRS, the BNP Paribas Group draws a distinction between defined-contribution plans and defined-benefit 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.

Only 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.

The classification of plans into these two categories is based on the economic substance of the plan, which is reviewed to determine whether the Group has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefit obligations under defined-benefit plans are measured using actuarial techniques that take demographic and financial assumptions into account.

The net liability recognised with respect to post-employment benefit plans is the difference between the present value of the defined-benefit obligation and the fair value of any plan assets.

The present value of the defined-benefit obligation is measured on the basis of the actuarial assumptions applied by the Group, using the projected unit credit method. This method takes into account various parameters, specific to each country or Group entity, such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate.

When the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for the Group in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The annual expense recognised in the profit and loss account under "Salaries and employee benefits", with respect to defined-benefit plans includes the current service cost (the rights vested by each employee during the period in return for service rendered), the net interests linked to the effect of discounting the net defined-benefit liability (asset), the past service cost arising from plan amendments or curtailments, and the effect of any plan settlements.

Remeasurements of the net defined-benefit liability (asset) are recognised in shareholders' equity and are never reclassified to profit or loss. They include actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling (excluding amounts included in net interest on the defined-benefit liability or asset).

## 1.i SHARE-BASED PAYMENTS

Share-based payment transactions are payments based on shares issued by the Group, whether the transaction is settled in the form of equity or cash of which the amount is based on trends in the value of BNP Paribas shares.

IFRS 2 requires share-based payments granted after 7 November 2002 to be recognised as an expense. The amount recognised is the value of the share-based payment granted to the employee.

The Group grants employees stock subscription option plans and deferred share-based or share price-linked cash-settled compensation plans, and also offers them the possibility to purchase specially-issued BNP Paribas shares at a discount, on condition that they retain the shares for a specified period.

### Stock option and share award plans

The expense related to stock option and share award plans is recognised over the vesting period, if the benefit is conditional upon the grantee's continued employment.

Stock options and share award expenses are recorded under salary and employee benefits expenses, with a corresponding adjustment to shareholders' equity. They are calculated on the basis of the overall plan value, determined at the date of grant by the Board of Directors.

In the absence of any market for these instruments, financial valuation models are used that take into account any performance conditions related to the BNP Paribas share price. The total expense of a plan is determined by multiplying the unit value per option or share awarded by the estimated number of options or shares awarded vested at the end of the vesting period, taking into account the conditions regarding the grantee's continued employment.

The only assumptions revised during the vesting period, and hence resulting in a remeasurement of the expense, are those relating to the probability that employees will leave the Group and those relating to performance conditions that are not linked to the price value of BNP Paribas shares.

### Share price-linked cash-settled deferred compensation plans

The expense related to these plans is recognised in the year during which the employee rendered the corresponding services.

If the payment of share-based variable compensation is explicitly subject to the employee's continued presence at the vesting date, the services are presumed to have been rendered during the vesting period and the corresponding compensation expense is recognised on a pro rata basis over that period. The expense is recognised under salary and employee benefits expenses with a corresponding liability in the balance sheet. It is revised to take into account any non-fulfilment of the continued presence or performance conditions and the change in BNP Paribas share price.

If there is no continued presence condition, the expense is not deferred, but recognised immediately with a corresponding liability in the balance sheet. This is then revised on each reporting date until settlement to take into account any performance conditions and the change in the BNP Paribas share price.

### Share subscriptions or purchases offered to employees under the Company Savings Plan

Share subscriptions or purchases offered to employees under the Company Savings Plan (*Plan d'Épargne Entreprise*) at lower-than-market rates over a specified period do not include a vesting period. However, employees are prohibited by law from selling shares acquired under this plan for a period of five years. This restriction is taken into account when measuring the benefit to the employees, which is reduced accordingly. Therefore, the benefit equals the difference, at the date the plan is announced to employees, between the fair value of the share (after allowing for the restriction on sale) and the acquisition price paid by the employee, multiplied by the number of shares acquired.

The cost of the mandatory five-year holding period is equivalent to the cost of a strategy involving the forward sale of shares subscribed at the time of the capital increase reserved for employees and the cash purchase of an equivalent number of BNP Paribas shares on the market, financed by a loan repaid at the end of a five-year period out of the proceeds from the forward sale transaction. The interest rate on the loan is the rate that would be applied to a five-year general purpose loan taken out by an individual with an average risk profile. The forward sale price for the shares is determined on the basis of market parameters.

## 1.j PROVISIONS RECORDED UNDER LIABILITIES

Provisions recorded under liabilities (other than those relating to financial instruments, employee benefits and insurance contracts) mainly relate to restructuring, claims and litigation, fines and penalties, and tax risks.

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

## 1.k CURRENT AND DEFERRED TAXES

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 during the period in which the income is generated.

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

Deferred tax liabilities are recognised for all taxable temporary differences other than:

- taxable temporary differences on initial recognition of goodwill;
- taxable temporary differences on investments in enterprises under the exclusive or joint control of the Group, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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 and liabilities are offset when they arise within the same tax group, they fall under the jurisdiction of a single tax authority, and there is a legal right to offset.

Current and deferred taxes are recognised as tax income or expenses in the profit and loss account, except for those relating to a transaction or an event directly recognised in shareholders' equity, which are also recognised in shareholders' equity.

When tax credits on revenues from receivables and securities are used to settle corporate income tax payable for the period, the tax credits are recognised on the same line as the income to which they relate. The corresponding tax expense continues to be carried in the profit and loss account under "Corporate income tax".

## 1.l CASH FLOW STATEMENT

The cash and cash equivalents balance is composed of the net balance of cash accounts and accounts with central banks, and the net balance of interbank demand loans and deposits.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations, including cash flows related to investment property, held-to-maturity financial assets and negotiable certificates of deposit.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, associates or joint ventures included in the consolidated group, as well as acquisitions and disposals of property, plant and equipment excluding investment property and property held under operating leases.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders, cash flows related to bonds and subordinated debt, and debt securities (excluding negotiable certificates of deposit).

## 1.m USE 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 expense 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, mainly according to market conditions. This may have a material effect on the financial statements.

This applies in particular to:

- impairment losses recognised to cover credit risks inherent in banking intermediation activities;
- the use of internally-developed models to measure positions in financial instruments that are not quoted in active markets;
- calculations of the fair value of unquoted financial instruments 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", and more generally calculations of the fair value of financial instruments subject to a fair value disclosure requirement;
- whether a market is active or inactive for the purposes of using a valuation technique;
- impairment losses on variable-income financial assets classified as "Available-for-sale";
- impairment tests performed on intangible assets;
- the appropriateness of the designation of certain derivative instruments such as cash flow hedges, and the measurement of hedge effectiveness;
- estimates of the residual value of assets leased under finance leases or operating leases, and more generally of assets on which depreciation is charged net of their estimated residual value;
- the measurement of provisions for contingencies and charges. In particular, while investigations and litigations are ongoing, it is difficult to foresee their outcome and potential impact. Provision estimation is established by taking into account all available information at the date of the preparation of the financial statements, in particular the nature of the dispute, the underlying facts, the ongoing legal proceedings and court decisions, including those related to similar cases. The Group may also use the opinion of experts and independent legal advisers to exercise its judgement.

This is also the case for assumptions applied to assess the sensitivity of each type of market risk and the sensitivity of valuations to non-observable parameters.

# Note 2. NOTES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

## 2.a NET INTEREST INCOME

The BNP Paribas Group includes in "Interest income" and "Interest expense" all income and expense from financial instruments measured at amortised cost (interest, fees/commissions, transaction costs), and from financial instruments measured at fair value that do not meet the definition of a derivative instrument. These amounts are calculated using the effective interest method. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised under "Net gain/loss on financial instruments at fair value through profit or loss".

Interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item. Similarly, interest income and expense arising from derivatives used to hedge transactions designated as at fair value through profit or loss is allocated to the same accounts as the interest income and expense relating to the underlying transactions.

| *In millions of euros* | Year to 31 Dec. 2017 | | | Year to 31 Dec. 2016 | | |
|---|---|---|---|---|---|---|
| | Income | Expense | Net | Income | Expense | Net |
| **Customer items** | **24,405** | **(7,380)** | **17,025** | **24,635** | **(7,082)** | **17,553** |
| Deposits, loans and borrowings | 23,199 | (7,289) | 15,910 | 23,412 | (6,969) | 16,443 |
| Repurchase agreements | 49 | (29) | 20 | 29 | (58) | (29) |
| Finance leases | 1,157 | (62) | 1,095 | 1,194 | (55) | 1,139 |
| **Interbank items** | **2,572** | **(2,241)** | **331** | **1,483** | **(1,716)** | **(233)** |
| Deposits, loans and borrowings | 2,469 | (2,209) | 260 | 1,459 | (1,548) | (89) |
| Repurchase agreements | 103 | (32) | 71 | 24 | (168) | (144) |
| **Debt securities issued** | | **(1,872)** | **(1,872)** | | **(1,662)** | **(1,662)** |
| **Cash flow hedge instruments** | **3,499** | **(2,004)** | **1,495** | **3,893** | **(2,567)** | **1,326** |
| **Interest rate portfolio hedge instruments** | **1,748** | **(1,556)** | **192** | **3,468** | **(3,356)** | **112** |
| **Financial instruments at fair value through profit or loss** | **3,908** | **(3,958)** | **(50)** | **2,289** | **(2,135)** | **154** |
| Fixed-income securities | 736 | | 736 | 858 | | 858 |
| Loans/borrowings | 238 | (482) | (244) | 57 | (418) | (361) |
| Repurchase agreements | 2,934 | (3,251) | (317) | 1,374 | (1,513) | (139) |
| Debt securities | | (225) | (225) | | (204) | (204) |
| **Available-for-sale financial assets** | **4,378** | | **4,378** | **4,789** | | **4,789** |
| **Held-to-maturity financial assets** | **275** | | **275** | **337** | | **337** |
| **TOTAL INTEREST INCOME/(EXPENSE)** | **40,785** | **(19,011)** | **21,774** | **40,894** | **(18,518)** | **22,376** |

The effective interest rate applied on the second series of Targeted Longer-Term Refinancing Operations (TLTRO II) conducted by the European Central Bank takes into account a 40 bp interest incentive. Indeed, the expected increase in outstanding amounts of eligible loans to households and non-financial corporations is higher than the threshold requested for this interest enhancement level.

Interest income on individually impaired loans amounted to EUR 547 million for the year ended 31 December 2017 compared with EUR 600 million for the year ended 31 December 2016.

## 2.b COMMISSION INCOME AND EXPENSE

Commission income and expense on financial instruments not measured at fair value through profit or loss amounted to EUR 2,670 million and EUR 343 million respectively in 2017, compared with income of EUR 2,592 million and expense of EUR 282 million in 2016.

Net commission income related to trust and similar activities through which the Group holds or invests assets on behalf of clients, trusts, pension and personal risk funds or other institutions amounted to EUR 2,540 million in 2017, compared with EUR 2,482 million in 2016.

## 2.c NET GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on financial instruments at fair value through profit or loss includes all profit and loss items (including dividends) relating to financial instruments managed in the trading book and financial instruments that the Group has designated as at fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in "Net interest income" (note 2.a).

Gains and losses on financial instruments designated as at fair value through profit or loss are mainly related to instruments whose changes in value may be compensated by changes in the value of economic hedging trading book instruments.

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Trading book** | **6,626** | **6,406** |
| Interest rate and credit instruments | 493 | 1,186 |
| Equity financial instruments | 4,789 | 1,096 |
| Foreign exchange financial instruments | 663 | 3,166 |
| Other derivatives | 658 | 991 |
| Repurchase agreements | 23 | (33) |
| **Financial instruments designated as at fair value through profit or loss** | **(975)** | **(177)** |
| *of which debt remeasurement effect arising from BNP Paribas Group issuer risk (note 4.d)* | *(61)* | *25* |
| **Impact of hedge accounting** | **82** | **(40)** |
| Fair value hedging derivatives | 62 | (319) |
| Hedged items in fair value hedge | 20 | 279 |
| **TOTAL** | **5,733** | **6,189** |

Net gains on the trading book in 2017 and 2016 include a non-material amount related to the ineffective portion of cash flow hedges.

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## 2.d NET GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS AND OTHER FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Loans and receivables, fixed-income securities**[(1)] | **406** | **843** |
| Net disposal gains | 406 | 843 |
| **Equities and other variable-income securities** | **1,932** | **1,368** |
| Dividend income | 666 | 611 |
| Additions to impairment provisions | (320) | (376) |
| Net disposal gains | 1,586 | 1,133 |
| **TOTAL** | **2,338** | **2,211** |

*(1) Interest income from fixed-income financial instruments is included in "Net interest income" (note 2.a), and impairment losses related to potential issuer default are included in "Cost of risk" (note 2.g).*

After the impact of insurance policyholders' surplus reserve, unrealised gains and losses previously recorded under "Changes in assets and liabilities recognised directly in shareholders' equity" and included in the pre-tax income, amount to a gain of EUR 908 million for the year ended 31 December 2017 compared with a net gain of EUR 1,373 million for the year ended 31 December 2016.

The application of the automatic impairment criteria and qualitative analysis led to a first impairment of variable-income securities, for the following amounts:EUR 25 million linked to a decline in price of more than 50% of the acquisition price (EUR 106 million in 2016);

- EUR 9 million linked to the observation of an unrealised loss over two consecutive years (EUR 45 million in 2016);
- EUR 2 million linked to the observation of an unrealised loss of at least an average of 30% over one year (no impairment in 2016);
- EUR 29 million linked to an additional qualitative analysis (EUR 85 million in 2016).

## 2.e NET INCOME FROM OTHER ACTIVITIES

| In millions of euros | Year to 31 Dec. 2017 | | | Year to 31 Dec. 2016 | | |
|---|---|---|---|---|---|---|
| | Income | Expense | Net | Income | Expense | Net |
| Net income from insurance activities | 30,168 | (26,080) | 4,088 | 26,545 | (22,782) | 3,763 |
| Net income from investment property | 318 | (98) | 220 | 97 | (47) | 50 |
| Net income from assets held under operating leases | 8,823 | (7,472) | 1,351 | 7,564 | (6,207) | 1,357 |
| Net income from property development activities | 976 | (827) | 149 | 806 | (632) | 174 |
| Other net income | 1,756 | (1,702) | 54 | 1,520 | (1,431) | 89 |
| **TOTAL NET INCOME FROM OTHER ACTIVITIES** | **42,041** | **(36,179)** | **5,862** | **36,532** | **(31,099)** | **5,433** |

### ➤ NET INCOME FROM INSURANCE ACTIVITIES

| In millions of euros | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Gross premiums written | 24,952 | 22,599 |
| Policy benefit expenses | (16,789) | (14,738) |
| Changes in technical reserves | (7,253) | (4,828) |
| Change in value of admissible investments related to unit-linked policies | 3,310 | 979 |
| Reinsurance ceded | (253) | (335) |
| Other net income | 121 | 86 |
| **TOTAL NET INCOME FROM INSURANCE ACTIVITIES** | **4,088** | **3,763** |

"Policy benefit expenses" include expenses arising from surrenders, maturities and claims relating to insurance contracts. "Changes in technical reserves" reflect changes in the value of financial contracts, in particular unit-linked policies. Interest paid on such contracts is recognised in interest expense related to customer items.

## 2.f OTHER OPERATING EXPENSES

| In millions of euros | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| External services and other operating expenses | (10,017) | (9,581) |
| Taxes and contributions[1] | (1,712) | (1,698) |
| **TOTAL OTHER OPERATING EXPENSES** | **(11,729)** | **(11,279)** |

*(1) Contributions to European resolution funds, including exceptional contributions, amount to EUR 502 million in 2017.*

## 2.g COST OF RISK

"Cost of risk" represents the net amount of impairment losses recognised in respect to credit risks inherent in the Group's banking intermediation activities, plus any impairment losses in the cases of known counterparty risks on over-the-counter financial instruments.

### ➤ COST OF RISK FOR THE PERIOD

| In millions of euros | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Net allowances to impairment | (2,852) | (3,304) |
| Recoveries on loans and receivables previously written off | 537 | 545 |
| Irrecoverable loans and receivables not covered by impairment provisions | (592) | (503) |
| **TOTAL COST OF RISK FOR THE PERIOD** | **(2,907)** | **(3,262)** |

### COST OF RISK FOR THE PERIOD BY ASSET TYPE

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Loans and receivables due from credit institutions | 14 | 44 |
| Loans and receivables due from customers | (2,806) | (3,199) |
| Available-for-sale financial assets | (101) | (8) |
| Financial instruments of trading activities | 13 | (3) |
| Other assets | (9) | (5) |
| Commitments given and other items | (18) | (91) |
| **TOTAL COST OF RISK FOR THE PERIOD** | **(2,907)** | **(3,262)** |
| *Cost of risk on a specific basis* | *(3,089)* | *(3,682)* |
| *Cost of risk on a collective basis* | *182* | *420* |

## Credit risk impairment

### CHANGE IN IMPAIRMENT DURING THE PERIOD



| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **TOTAL IMPAIRMENT AT BEGINNING OF YEAR** | **28,475** | **27,676** |
| Net allowance to impairment | 2,852 | 3,304 |
| Impairment provisions used | (5,321) | (2,648) |
| Effect of exchange rate movements and other items | (7) | 143 |
| **TOTAL IMPAIRMENT AT END OF YEAR** | **25,999** | **28,475** |

### IMPAIRMENT BY ASSET TYPE

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Impairment of assets** | | |
| Loans and receivables due from credit institutions *(note 4.f)* | 109 | 188 |
| Loans and receivables due from customers *(note 4.g)* | 24,686 | 27,045 |
| Financial instruments of trading activities | 89 | 112 |
| Available-for-sale financial assets *(note 4.c)* | 146 | 78 |
| Other assets | 63 | 54 |
| **Total impairment of financial assets** | **25,093** | **27,477** |
| *of which specific impairment* | *21,771* | *24,335* |
| *of which collective provisions* | *3,322* | *3,142* |
| **Provisions recognised as liabilities** | | |
| Provisions for commitments given | | |
| to credit institutions | 5 | 7 |
| to customers | 388 | 477 |
| Other specific provisions | 513 | 514 |
| **Total provisions recognised for credit commitments *(note 4.q)*** | **906** | **998** |
| *of which specific impairment for commitments given* | *293* | *378* |
| *of which collective provisions* | *99* | *106* |
| **TOTAL IMPAIRMENT AND PROVISIONS** | **25,999** | **28,475** |

## 2.h CORPORATE INCOME TAX

| Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in France | Year to 31 Dec. 2017 | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|
| | in millions of euros | tax rate | in millions of euros | tax rate |
| **Corporate income tax expense on pre-tax income at standard tax rate in France[1]** | **(3,718)** | **34.4%** | **(3,704)** | **34.4%** |
| Impact of differently taxed foreign profits | 333 | -3.1% | 232 | -2.2% |
| Impact of changes in tax rates | (486) | 4.5% | (25) | 0.2% |
| Impact of dividends and securities disposals taxed at reduced rate | 427 | -4.0% | 278 | -2.5% |
| Impact of the non-deductibility of bank levies[2] | (196) | 1.8% | (187) | 1.7% |
| Impact of previously unrecognised deferred taxes (tax losses and temporary differences) | 449 | -4.2% | 268 | -2.4% |
| Impact of using tax losses for which no deferred tax asset was previously recognised | 6 | - | 9 | -0.1% |
| Other items | 82 | -0.7% | 34 | -0.3% |
| **Corporate income tax expense** | **(3,103)** | **28.7%** | **(3,095)** | **28.8%** |
| *Current tax expense for the year to 31 December* | *(1,989)* | | *(2,366)* | |
| *Deferred tax expense for the year to 31 December (note 4.k)* | *(1,114)* | | *(729)* | |

*(1) Restated for the share of profits in equity-method entities and goodwill impairment.*
*(2) Contribution to the Single Resolution Fund and non-deductible systemic bank levies.*



# Note 3. SEGMENT INFORMATION

The Group is composed of two operating divisions:

- Retail Banking and Services, which covers Domestic Markets and International Financial Services. Domestic Markets include retail banking networks in France (FRB), Italy (BNL banca commerciale), Belgium (BRB), and Luxembourg (LRB), as well as certain specialised retail banking divisions (Personal Investors, Leasing Solutions, Arval and New Digital Businesses). International Financial Services is composed of all BNP Paribas Group retail banking businesses out of the Eurozone, split between Europe-Mediterranean and BancWest in the United States, as well as Personal Finance and the Insurance and Wealth and Asset Management activities (Wealth Management, Asset Management and Real Estate);
- Corporate and Institutional Banking (CIB), which includes Corporate Banking (Europe, Middle East, Africa, Asia, Americas, and Corporate Finance activities), Global Markets (Fixed Income, Currency and Commodities, as well as Equity and Prime Services), and Securities Services to management companies, financial institutions and other corporations.

Other activities mainly include Principal Investments, activities related to the Group's central treasury function, some costs related to cross-business projects, the residential mortgage lending business of Personal Finance (a significant part of which is managed in run-off), and certain investments.

They also include non-recurring items resulting from applying the rules on business combinations. In order to provide consistent and relevant economic information for each core business, the impact of amortising fair value adjustments recognised in the net equity of entities acquired and restructuring costs incurred in respect to the integration of entities, have been allocated to the "Other Activities" segment. The same applies to transformation costs relating to the Group's cross-business savings programmes.

Inter-segment transactions are conducted at arm's length. The segment information presented comprises agreed inter-segment transfer prices.

The capital allocation is carried out on the basis of risk exposure, taking into account various conventions relating primarily to the capital requirement of the business as derived from the risk-weighted asset calculations required under capital adequacy rules. Normalised equity income by segment is determined by attributing to each segment the income of its allocated equity. The equity allocation to segments is based on 11% of weighted assets. The breakdown of balance sheet by core business follows the same rules as the breakdown of the profit or loss by core business.

## INCOME BY BUSINESS SEGMENT

| *In millions of euros* | Year to 31 Dec. 2017 | | | | | | Year to 31 Dec. 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenues | Operating expenses | Cost of risk | Operating income | Non-operating items | Pre-tax income | Revenues | Operating expenses | Cost of risk | Operating income | Non-operating items | Pre-tax income |
| **Retail Banking & Services** | | | | | | | | | | | | |
| Domestic Markets | | | | | | | | | | | | |
| French Retail Banking[1] | **6,071** | (4,510) | (331) | **1,231** | | **1,231** | **6,113** | (4,525) | (341) | **1,247** | 2 | **1,249** |
| BNL banca commerciale[1] | **2,822** | (1,761) | (870) | **191** | 1 | **192** | **2,895** | (1,846) | (959) | **90** | | **90** |
| Belgian Retail Banking[1] | **3,499** | (2,451) | (64) | **985** | 28 | **1,013** | **3,490** | (2,484) | (95) | **912** | 6 | **918** |
| Other Domestic Markets activities[1] | **2,772** | (1,601) | (89) | **1,082** | 42 | **1,124** | **2,671** | (1,481) | (115) | **1,076** | 47 | **1,123** |
| International Financial Services | | | | | | | | | | | | |
| Personal Finance | **4,923** | (2,427) | (1,009) | **1,487** | 120 | **1,607** | **4,679** | (2,298) | (979) | **1,401** | 40 | **1,442** |
| International Retail Banking | | | | | | | | | | | | |
| *Europe-Mediterranean*[1] | ***2,329*** | *(1,656)* | *(259)* | ***414*** | *202* | ***616*** | ***2,505*** | *(1,699)* | *(437)* | ***369*** | *197* | ***566*** |
| *BancWest*[1] | ***2,939*** | *(2,001)* | *(111)* | ***827*** | *3* | ***830*** | ***2,937*** | *(2,006)* | *(85)* | ***846*** | *16* | ***862*** |
| Insurance | **2,514** | (1,251) | 4 | **1,267** | 600 | **1,867** | **2,382** | (1,201) | 2 | **1,183** | 186 | **1,369** |
| Wealth and Asset Management | **3,193** | (2,387) | 24 | **831** | 68 | **899** | **2,977** | (2,341) | 3 | **639** | 46 | **685** |
| **Corporate & Institutional Banking** | | | | | | | | | | | | |
| Corporate Banking | **4,165** | (2,430) | (70) | **1,665** | 37 | **1,703** | **3,994** | (2,451) | (292) | **1,251** | 13 | **1,265** |
| Global Markets | **5,584** | (4,255) | (15) | **1,315** | 6 | **1,321** | **5,650** | (4,355) | 72 | **1,367** | 5 | **1,372** |
| Securities Services | **1,955** | (1,588) | 3 | **369** | 1 | **371** | **1,824** | (1,503) | 3 | **324** | 1 | **325** |
| **Other Activities** | **394** | (1,627) | (121) | **(1,355)** | (110) | **(1,464)** | **1,294** | (1,189) | (39) | **66** | (121) | **(55)** |
| **TOTAL GROUP** | **43,161** | **(29,944)** | **(2,907)** | **10,310** | **1,000** | **11,310** | **43,411** | **(29,378)** | **(3,262)** | **10,771** | **439** | **11,210** |

*(1) French Retail Banking, BNL banca commerciale, Belgian Retail Banking, Luxembourg Retail Banking, Europe-Mediterranean and BancWest after the reallocation within Wealth and Asset Management of one-third of the Wealth Management activities in France, Italy, Belgium, Luxembourg, Turkey and the United States.*

### ASSETS AND LIABILITIES BY BUSINESS SEGMENT

| *In millions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Asset | Liability | Asset | Liability |
| **Retail Banking & Services** | | | | |
| **Domestic Markets** | **444,928** | **466,930** | **428,209** | **450,921** |
| French Retail Banking | 186,717 | 190,306 | 174,374 | 183,049 |
| BNL banca commerciale | 75,759 | 67,794 | 75,694 | 67,122 |
| Belgian Retail Banking | 130,723 | 156,754 | 129,417 | 152,880 |
| Other Domestic Markets activities | 51,729 | 52,076 | 48,724 | 47,870 |
| **International Financial Services** | **470,639** | **416,503** | **449,480** | **413,948** |
| Personal Finance | 78,569 | 21,667 | 65,128 | 14,542 |
| International Retail Banking | 138,017 | 124,789 | 145,026 | 133,420 |
| *Europe-Mediterranean* | *50,836* | *46,020* | *52,166* | *47,172* |
| *BancWest* | *87,181* | *78,769* | *92,860* | *86,248* |
| Insurance | 233,950 | 226,850 | 222,742 | 216,029 |
| Wealth and Asset Management | 20,103 | 43,197 | 16,584 | 49,957 |
| **Corporate and Institutional Banking** | **994,985** | **933,866** | **1,121,096** | **1,068,811** |
| **Other Activities** | **49,700** | **142,953** | **78,174** | **143,279** |
| **TOTAL GROUP** | **1,960,252** | **1,960,252** | **2,076,959** | **2,076,959** |

Information by business segment relating to goodwill is presented in note 4.o *Goodwill*.

## Information by geographic area

The geographic split of segment results, assets and liabilities is based on the region in which they are recognised for accounting purposes, adjusted as per the managerial origin of the business activity. It does not necessarily reflect the counterparty's nationality or the location of operational businesses.

### REVENUES BY GEOGRAPHIC AREA

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Europe | 31,659 | 31,712 |
| North America | 5,041 | 5,167 |
| Asia & Pacific | 3,203 | 3,075 |
| Others | 3,258 | 3,457 |
| **TOTAL GROUP** | **43,161** | **43,411** |

### ASSETS AND LIABILITIES, IN CONTRIBUTION TO THE CONSOLIDATED ACCOUNTS, BY GEOGRAPHIC AREA

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Europe | 1,564,895 | 1,676,686 |
| North America | 221,884 | 189,186 |
| Asia & Pacific | 121,690 | 155,342 |
| Others | 51,783 | 55,745 |
| **TOTAL GROUP** | **1,960,252** | **2,076,959** |

# Note 4. NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2017

## 4.a FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

### Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss consist of held-for-trading transactions – including derivatives – and certain assets and liabilities designated by the Group as at fair value through profit or loss at the time of acquisition or issuance.

| *In millions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Trading book | Instruments designated as at fair value through profit or loss | Trading book | Instruments designated as at fair value through profit or loss |
| Securities portfolio | 119,452 | 96,708 | 123,679 | 87,583 |
| Loans and repurchase agreements | 143,558 | 224 | 152,242 | 61 |
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | **263,010** | **96,932** | **275,921** | **87,644** |
| Securities portfolio | 69,313 | | 70,326 | |
| Borrowings and repurchase agreements | 172,147 | 2,498 | 183,206 | 3,017 |
| Debt securities *(note 4.i)* | | 47,487 | | 47,710 |
| Subordinated debt *(note 4.i)* | | 836 | | 1,012 |
| Debt representative of shares of consolidated funds held by third parties | | 2,620 | | 2,337 |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | **241,460** | **53,441** | **253,532** | **54,076** |

Detail of these assets and liabilities is provided in note 4.d.

### Financial instruments designated as at fair value through profit or loss

#### Financial assets designated as at fair value through profit or loss

Assets designated by the Group as at fair value through profit or loss mainly include admissible investments related to unit-linked insurance policies and the insurance general fund, and to a lesser extent, assets with embedded derivatives that have not been separated from the host contract.

Admissible investments related to unit-linked insurance policies include securities issued by the Group's consolidated entities, which are not eliminated upon consolidation in order to keep the figures shown in respect of the assets invested under these contracts at the same level as the technical reserves set aside in respect of the corresponding policyholder liabilities. The fixed-income securities (certificates and Euro Medium Term Notes) not eliminated upon consolidation amounted to EUR 693 million at 31 December 2017 compared with EUR 785 million at 31 December 2016, and variable-income securities (shares mainly issued by BNP Paribas SA) amounted to EUR 59 million at 31 December 2017 compared with EUR 62 million at 31 December 2016. Eliminating these securities would not have a material impact on the financial statements for the period.

#### Financial liabilities designated as at fair value through profit or loss

Financial liabilities at fair value through profit or loss mainly consist of debt securities in issue, originated and structured on behalf of customers, where the risk exposure is managed in combination with the hedging strategy. These types of debt securities in issue contain significant embedded derivatives, whose changes in value may be compensated by changes in the value of economic hedging derivatives.

The redemption value of debt issued and designated as at fair value through profit or loss at 31 December 2017 was EUR 50,375 million (EUR 52,358 million at 31 December 2016).

### Derivative financial instruments

The majority of derivative financial instruments held for trading are related to transactions initiated for trading purposes. They may result from market-making or arbitrage activities. BNP Paribas actively trades in derivatives. Transactions include trades in "ordinary" instruments such as credit default swaps, and structured transactions with complex risk profiles tailored to meet the needs of its customers. The net position is in all cases subject to limits.

Some derivative instruments are also contracted to hedge financial assets or financial liabilities for which the Group has not documented a hedging relationship, or which do not qualify for hedge accounting under IFRS. This applies in particular to credit derivative transactions which are primarily contracted to protect the Group's loan book.

| *In millions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Positive market value | Negative market value | Positive market value | Negative market value |
| Interest rate derivatives | 122,389 | 111,149 | 165,979 | 153,811 |
| Foreign exchange derivatives | 66,580 | 65,292 | 112,761 | 109,490 |
| Credit derivatives | 7,553 | 8,221 | 10,754 | 9,886 |
| Equity derivatives | 28,822 | 39,156 | 33,146 | 40,702 |
| Other derivatives | 4,886 | 4,201 | 5,522 | 4,851 |
| **DERIVATIVE FINANCIAL INSTRUMENTS** | **230,230** | **228,019** | **328,162** | **318,740** |

The table below shows the total notional amount of trading derivatives. The notional amounts of derivative instruments are merely an indication of the volume of the Group's activities in financial instruments markets, and do not reflect the market risks associated with such instruments.

| *In millions of euros* | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Exchange-traded | Over-the-counter, cleared through central clearing houses | Over-the-counter | Total | Exchange-traded | Over-the-counter, cleared through central clearing houses | Over-the-counter | Total |
| Interest rate derivatives | 1,398,333 | 9,348,490 | 4,913,274 | 15,660,097 | 891,549 | 10,106,567 | 5,565,534 | 16,563,650 |
| Foreign exchange derivatives | 1,809 | 48,028 | 4,631,422 | 4,681,259 | 1,024 | 43,241 | 4,995,579 | 5,039,844 |
| Credit derivatives | | 288,459 | 557,572 | 846,031 | | 249,262 | 727,007 | 976,269 |
| Equity derivatives | 856,023 | 940 | 590,722 | 1,447,685 | 955,415 | 5,707 | 664,689 | 1,625,811 |
| Other derivatives | 86,262 | 26,470 | 78,134 | 190,866 | 95,365 | 33,769 | 57,128 | 186,262 |
| **DERIVATIVE FINANCIAL INSTRUMENTS** | **2,342,427** | **9,712,387** | **10,771,124** | **22,825,938** | **1,943,353** | **10,438,546** | **12,009,937** | **24,391,836** |

## 4.b DERIVATIVES USED FOR HEDGING PURPOSES

The table below shows the fair value of derivatives used for hedging purposes.

| *In millions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Positive fair value | Negative fair value | Positive fair value | Negative fair value |
| **Fair value hedges** | **11,632** | **14,542** | **15,301** | **18,405** |
| Interest rate derivatives | 11,454 | 14,311 | 14,819 | 18,192 |
| Foreign exchange derivatives | 178 | 231 | 482 | 213 |
| **Cash flow hedges** | **2,116** | **1,101** | **2,789** | **1,220** |
| Interest rate derivatives | 1,553 | 449 | 2,402 | 729 |
| Foreign exchange derivatives | 505 | 646 | 313 | 491 |
| Other derivatives | 58 | 6 | 74 | |
| **Net foreign investment hedges** | **8** | **39** | **43** | **1** |
| Foreign exchange derivatives | 8 | 39 | 43 | 1 |
| **DERIVATIVES USED FOR HEDGING PURPOSES** | **13,756** | **15,682** | **18,133** | **19,626** |

The total notional amount of derivatives used for hedging purposes stood at EUR 936,323 million at 31 December 2017, compared with EUR 949,767 million at 31 December 2016.

## 4.c AVAILABLE-FOR-SALE FINANCIAL ASSETS

| *In millions of euros* | 31 December 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | Net | of which impairment | of which changes in value taken directly to equity | Net | of which impairment | of which changes in value taken directly to equity |
| **Fixed-income securities** | **217,700** | **(146)** | **12,517** | **248,072** | **(78)** | **13,784** |
| Treasury bills and government bonds | 121,907 | (1) | 7,923 | 138,298 | (1) | 8,561 |
| Other fixed-income securities | 95,793 | (145) | 4,594 | 109,774 | (77) | 5,223 |
| **Equities and other variable-income securities** | **14,275** | **(2,606)** | **3,177** | **19,487** | **(3,192)** | **4,216** |
| Listed securities | 4,982 | (440) | 1,337 | 5,950 | (823) | 1,591 |
| Unlisted securities | 9,293 | (2,166) | 1,840 | 13,537 | (2,369) | 2,625 |
| **TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS** | **231,975** | **(2,752)** | **15,694** | **267,559** | **(3,270)** | **18,000** |

The gross amount of impaired fixed-income securities is EUR 264 million at 31 December 2017 (EUR 99 million at 31 December 2016).

Changes in value taken directly to equity are detailed as follows:

| *In millions of euros* | 31 December 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | Fixed-income securities | Equities and other variable-income securities | Total | Fixed-income securities | Equities and other variable-income securities | Total |
| **Non-hedged changes in value of securities, recognised in "Available-for-sale financial assets"** | **12,517** | **3,177** | **15,694** | **13,784** | **4,216** | **18,000** |
| Deferred tax linked to these changes in value | (3,360) | (526) | (3,886) | (4,504) | (948) | (5,452) |
| Insurance policyholders' surplus reserve from insurance entities, after deferred tax | (7,443) | (1,005) | (8,448) | (7,587) | (1,315) | (8,902) |
| Group share of changes in value of available-for-sale securities owned by equity-method entities, after deferred tax and insurance policyholders' surplus reserve | 779 | 130 | 909 | 807 | 99 | 906 |
| Unamortised changes in value of available-for-sale securities reclassified as loans and receivables | (9) | | (9) | (16) | | (16) |
| Other variations | (7) | (1) | (8) | (53) | (2) | (55) |
| **Changes in value of assets taken directly to equity under the heading "Financial assets available for sale and reclassified as loans and receivables"** | **2,477** | **1,775** | **4,252** | **2,431** | **2,050** | **4,481** |
| Attributable to equity shareholders | 2,427 | 1,757 | 4,184 | 2,339 | 2,033 | 4,372 |
| Attributable to minority interests | 50 | 18 | 68 | 92 | 17 | 109 |

Maturity schedule of available-for-sale fixed-income securities by contractual maturity:

| *In millions of euros, at 31 December 2017* | < 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | TOTAL |
|---|---|---|---|---|---|---|
| Fixed-income securities | 4,833 | 8,028 | 11,829 | 67,101 | 125,909 | 217,700 |

| *In millions of euros, at 31 December 2016* | < 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | TOTAL |
|---|---|---|---|---|---|---|
| Fixed-income securities | 6,936 | 8,020 | 19,056 | 77,884 | 136,176 | 248,072 |

## 4.d MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

### Valuation process

BNP Paribas has retained the fundamental principle that it should have a unique and integrated processing chain for producing and controlling the valuations of financial instruments that are used for the purpose of daily risk management and financial reporting. All these processes are based on a common economic valuation which is a core component of business decisions and risk management strategies.

Economic value is composed of mid-market value, to which add valuation adjustments.

Mid-market value is derived from external data or valuation techniques that maximise the use of observable and market-based data. Mid-market value is a theoretical additive value which does not take account of i) the direction of the transaction or its impact on the existing risks in the portfolio, ii) the nature of the counterparties, and iii) the aversion of a market participant to particular risks inherent in the instrument, the market in which it is traded, or the risk management strategy.

Valuation adjustments take into account valuation uncertainty and include market and credit risk premiums to reflect costs that could be incurred in case of an exit transaction in the principal market. When valuation techniques are used for the purpose of deriving fair value, funding assumptions related to the future expected cash flows are an integral part of the mid-market valuation, notably through the use of appropriate discount rates. These assumptions reflect what the Bank anticipates as being the effective funding conditions of the instrument that a market participant would consider. This notably takes into account the existence and terms of any collateral agreement. In particular, for non- or imperfectly collateralized derivative instruments, they include an explicit adjustment to the interbank interest rate (Funding Valuation Adjustment – FVA).

Fair value generally equals the economic value, subject to limited adjustments, such as own credit adjustments, which are specifically required by IFRS standards.

The main valuation adjustments are presented in the section below.

### Valuation adjustments

Valuation adjustments retained by BNP Paribas for determining fair values are as follows:

***Bid/offer adjustments:*** the bid/offer range reflects the additional exit cost for a price taker and symmetrically the compensation sought by dealers to bear the risk of holding the position or closing it out by accepting another dealer's price.

BNP Paribas assumes that the best estimate of an exit price is the bid or offer price, unless there is evidence that another point in the bid/offer range would provide a more representative exit price.

***Input uncertainty adjustments:*** when the observation of prices or data inputs required by valuation techniques is difficult or irregular, an uncertainty exists on the exit price. There are several ways to gauge the degree of uncertainty on the exit price such as measuring the dispersion of the available price indications or estimating the possible ranges of the inputs to a valuation technique.

***Model uncertainty adjustments:*** these relate to situations where valuation uncertainty is due to the valuation technique used, even though observable inputs might be available. This situation arises when the risks inherent in the instruments are different from those available in the observable data, and therefore the valuation technique involves assumptions that cannot be easily corroborated.

***Credit valuation adjustment (CVA):*** the CVA adjustment applies to valuations and market quotations whereby the credit worthiness of the counterparty is not reflected. It aims to account for the possibility that the counterparty may default and that BNP Paribas may not receive the full fair value of the transactions.

In determining the cost of exiting or transferring counterparty risk exposures, the relevant market is deemed to be an inter-dealer market. However, the determination of CVA remains judgemental due to i) the possible absence or lack of price discovery in the inter-dealer market, ii) the influence of the regulatory landscape relating to counterparty risk on the market participants' pricing behaviour and iii) the absence of a dominant business model for managing counterparty risk.

The CVA model is grounded on the same exposures as those used for regulatory purposes. The model attempts to estimate the cost of an optimal risk management strategy based on i) implicit incentives and constraints inherent in the regulations in force and their evolutions, ii) market perception of the probability of default and iii) default parameters used for regulatory purposes.

***Own-credit valuation adjustment for debts (OCA) and for derivatives (debit valuation adjustment – DVA):*** OCA and DVA are adjustments reflecting the effect of credit worthiness of BNP Paribas, on respectively the value of debt securities designated as at fair value through profit or loss and derivatives. Both adjustments are based on the expected future liability profiles of such instruments. The own credit worthiness is inferred from the market-based observation of the relevant bond issuance levels. The DVA adjustment is determined after taking into account the Funding Valuation Adjustment (FVA).

Thus, the carrying value of debt securities designated as at fair value though profit or loss is increased by EUR 452 million as at 31 December 2017, compared with an increase in value of EUR 391 million as at 31 December 2016, i.e. a EUR -61 million variation recognised in net gain on financial instruments at fair value through profit or loss (note 2.c).

### Instrument classes and classification within the fair value hierarchy for assets and liabilities measured at fair value

As explained in the summary of significant accounting policies (note 1.c.10), financial instruments measured at fair value are categorised into a fair value hierarchy consisting of three levels.

The disaggregation of assets and liabilities into risk classes is meant to provide further insight into the nature of the instruments:

- securitised exposures are further broken down by collateral type;
- for derivatives, fair values are broken down by dominant risk factor, namely interest rate, foreign exchange, credit and equity. Derivatives used for hedging purposes are mainly interest rate derivatives.

| | 31 December 2017 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Trading book | | | | Instruments designated as at fair value through profit or loss | | | | Available-for-sale financial assets | | | |
| *In millions of euros* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Securities portfolio** | **94,789** | **24,246** | **417** | **119,452** | **79,652** | **12,366** | **4,690** | **96,708** | **188,092** | **37,320** | **6,563** | **231,975** |
| Treasury bills and government bonds | 40,570 | 7,831 | | 48,401 | 652 | 1 | | 653 | 115,257 | 6,650 | | 121,907 |
| Asset Backed Securities[1] | - | 7,924 | 97 | 8,021 | - | 7 | - | 7 | - | 4,067 | 2 | 4,069 |
| *CDOs/CLOs[2]* | | *496* | *26* | *522* | | *7* | | *7* | | *24* | *2* | *26* |
| *Other Asset Backed Securities* | | *7,428* | *71* | *7,499* | | | | - | | *4,043* | | *4,043* |
| Other fixed-income securities | 10,307 | 7,290 | 134 | 17,731 | 1,684 | 4,895 | 94 | 6,673 | 66,015 | 24,983 | 726 | 91,724 |
| Equities and other variable-income securities | 43,912 | 1,201 | 186 | 45,299 | 77,316 | 7,463 | 4,596 | 89,375 | 6,820 | 1,620 | 5,835 | 14,275 |
| **Loans and repurchase agreements** | **-** | **143,295** | **263** | **143,558** | **-** | **18** | **206** | **224** | | | | |
| Loans | | 1,840 | | 1,840 | | 18 | | 18 | | | | |
| Repurchase agreements | | 141,455 | 263 | 141,718 | | | 206 | 206 | | | | |
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND AVAILABLE-FOR-SALE FINANCIAL ASSETS** | **94,789** | **167,541** | **680** | **263,010** | **79,652** | **12,384** | **4,896** | **96,932** | **188,092** | **37,320** | **6,563** | **231,975** |
| **Securities portfolio** | **66,733** | **2,496** | **84** | **69,313** | **-** | **-** | **-** | **-** | | | | |
| Treasury bills and government bonds | 49,046 | 253 | | 49,299 | | | | - | | | | |
| Other fixed-income securities | 6,182 | 2,185 | 82 | 8,449 | | | | - | | | | |
| Equities and other variable-income securities | 11,505 | 58 | 2 | 11,565 | | | | - | | | | |
| **Borrowings and repurchase agreements** | **-** | **171,132** | **1,015** | **172,147** | **-** | **2,026** | **472** | **2,498** | | | | |
| Borrowings | | 4,499 | | 4,499 | | 2,026 | 472 | 2,498 | | | | |
| Repurchase agreements | | 166,633 | 1,015 | 167,648 | | | | - | | | | |
| **Debt securities** ***(note 4.i)*** | **-** | **-** | **-** | **-** | **-** | **34,497** | **12,990** | **47,487** | | | | |
| **Subordinated debt** ***(note 4.i)*** | **-** | **-** | **-** | **-** | **-** | **836** | **-** | **836** | | | | |
| **Debt representative of shares of consolidated funds held by third parties** | **-** | **-** | **-** | **-** | **1,916** | **704** | **-** | **2,620** | | | | |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | **66,733** | **173,628** | **1,099** | **241,460** | **1,916** | **38,063** | **13,462** | **53,441** | | | | |

| | 31 December 2016 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Trading book | | | | Instruments designated as at fair value through profit or loss | | | | Available-for-sale financial assets | | | |
| *In millions of euros* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Securities portfolio** | **101,261** | **21,251** | **1,167** | **123,679** | **69,800** | **13,849** | **3,934** | **87,583** | **214,489** | **44,790** | **8,280** | **267,559** |
| Treasury bills and government bonds | 45,488 | 4,283 | | 49,771 | 867 | | | 867 | 130,806 | 7,492 | | 138,298 |
| Asset Backed Securities[(1)] | - | 8,748 | 618 | 9,366 | - | 7 | - | 7 | - | 4,588 | 72 | 4,660 |
| *CDOs/CLOs[(2)]* | | *1,391* | *613* | *2,004* | | *7* | | *7* | | *56* | | *56* |
| *Other Asset Backed Securities* | | *7,357* | *5* | *7,362* | | | | - | | *4,532* | *72* | *4,604* |
| Other fixed-income securities | 9,695 | 7,702 | 169 | 17,566 | 1,392 | 5,809 | 110 | 7,311 | 75,420 | 28,783 | 911 | 105,114 |
| Equities and other variable-income securities | 46,078 | 518 | 380 | 46,976 | 67,541 | 8,033 | 3,824 | 79,398 | 8,263 | 3,927 | 7,297 | 19,487 |
| **Loans and repurchase agreements** | **-** | **151,511** | **731** | **152,242** | **-** | **61** | **-** | **61** | | | | |
| Loans | | 525 | | 525 | | 61 | | 61 | | | | |
| Repurchase agreements | | 150,986 | 731 | 151,717 | | | | - | | | | |
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND AVAILABLE-FOR-SALE FINANCIAL ASSETS** | **101,261** | **172,762** | **1,898** | **275,921** | **69,800** | **13,910** | **3,934** | **87,644** | **214,489** | **44,790** | **8,280** | **267,559** |
| **Securities portfolio** | **67,167** | **2,862** | **297** | **70,326** | **-** | **-** | **-** | **-** | | | | |
| Treasury bills and government bonds | 50,320 | 383 | | 50,703 | | | | - | | | | |
| Other fixed-income securities | 6,752 | 2,457 | 297 | 9,506 | | | | - | | | | |
| Equities and other variable-income securities | 10,095 | 22 | | 10,117 | | | | - | | | | |
| **Borrowings and repurchase agreements** | **-** | **181,808** | **1,398** | **183,206** | **-** | **2,557** | **460** | **3,017** | | | | |
| Borrowings | | 4,190 | | 4,190 | | 2,557 | 460 | 3,017 | | | | |
| Repurchase agreements | | 177,618 | 1,398 | 179,016 | | | | - | | | | |
| **Debt securities** ***(note 4.i)*** | **-** | **-** | **-** | **-** | **-** | **34,964** | **12,746** | **47,710** | | | | |
| **Subordinated debt** ***(note 4.i)*** | **-** | **-** | **-** | **-** | **-** | **1,012** | **-** | **1,012** | | | | |
| **Debt representative of shares of consolidated funds held by third parties** | **-** | **-** | **-** | **-** | **1,719** | **618** | **-** | **2,337** | | | | |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | **67,167** | **184,670** | **1,695** | **253,532** | **1,719** | **39,151** | **13,206** | **54,076** | | | | |

*(1) These amounts do not represent the total amount of securitisation assets held by BNP Paribas, particularly those classified at inception as "Loans and Receivables", and those reclassified as presented in note 4.e.*
*(2) Collateralised Debt Obligations/Collateralised Loan Obligations.*

| *In millions of euros* | 31 December 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Positive market value | | | | Negative market value | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Interest rate derivatives | 282 | 120,461 | 1,646 | 122,389 | 357 | 109,381 | 1,411 | 111,149 |
| Foreign exchange derivatives | 1 | 66,348 | 231 | 66,580 | | 64,961 | 331 | 65,292 |
| Credit derivatives | | 7,349 | 204 | 7,553 | | 7,621 | 600 | 8,221 |
| Equity derivatives | 7,780 | 19,967 | 1,075 | 28,822 | 5,517 | 27,104 | 6,535 | 39,156 |
| Other derivatives | 1,046 | 3,788 | 52 | 4,886 | 673 | 3,435 | 93 | 4,201 |
| **DERIVATIVE FINANCIAL INSTRUMENTS NOT USED FOR HEDGING PURPOSES** | **9,109** | **217,913** | **3,208** | **230,230** | **6,547** | **212,502** | **8,970** | **228,019** |
| **DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING PURPOSES** | **-** | **13,756** | **-** | **13,756** | **-** | **15,682** | **-** | **15,682** |

| *In millions of euros* | 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Positive market value | | | | Negative market value | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Interest rate derivatives | 482 | 162,034 | 3,463 | 165,979 | 613 | 150,733 | 2,465 | 153,811 |
| Foreign exchange derivatives | 13 | 112,129 | 619 | 112,761 | 12 | 108,957 | 521 | 109,490 |
| Credit derivatives | | 10,079 | 675 | 10,754 | | 8,693 | 1,193 | 9,886 |
| Equity derivatives | 8,597 | 22,811 | 1,738 | 33,146 | 6,584 | 28,193 | 5,925 | 40,702 |
| Other derivatives | 749 | 4,724 | 49 | 5,522 | 889 | 3,856 | 106 | 4,851 |
| **DERIVATIVE FINANCIAL INSTRUMENTS NOT USED FOR HEDGING PURPOSES** | **9,841** | **311,777** | **6,544** | **328,162** | **8,098** | **300,432** | **10,210** | **318,740** |
| **DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING PURPOSES** | **-** | **18,133** | **-** | **18,133** | **-** | **19,626** | **-** | **19,626** |

Transfers between levels may occur when an instrument fulfils the criteria defined, which are generally market and product dependent. The main factors influencing transfers are changes in the observation capabilities, passage of time, and events during the transaction lifetime. The timing of recognising transfers is determined at the beginning of the reporting period.

During 2017, transfers between Level 1 and Level 2 were not significant.

## Description of main instruments in each level

The following section provides a description of the instruments in each level in the hierarchy. It describes notably instruments classified in Level 3 and the associated valuation methodologies.

For main trading book instruments and derivatives classified in Level 3, further quantitative information is provided about the inputs used to derive fair value.

### Level 1

This level encompasses all derivatives and securities that are listed on exchanges or quoted continuously in other active markets.

Level 1 includes notably equity securities and liquid bonds, shortselling of these instruments, derivative instruments traded on organised markets (futures, options…). It includes shares of funds and UCITS, for which the net asset value is calculated on a daily basis, as well as debt representative of shares of consolidated funds held by third parties.

### Level 2

***The Level 2 stock of securities*** is composed of securities which are less liquid than the Level 1 bonds. They are predominantly government bonds, corporate debt securities, mortgage backed securities, fund shares and short-term securities such as certificates of deposit. They are classified in Level 2 notably when external prices for the same security can be regularly observed from a reasonable number of market makers that are active in this security, but these prices do not represent directly tradable prices. This comprises amongst other, consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative runs from active brokers and/or dealers. Other sources such as primary issuance market, collateral valuation and counterparty collateral valuation matching may also be used where relevant.

***Repurchase agreements*** are classified predominantly in Level 2. The classification is primarily based on the observability and liquidity of the repo market, depending on the underlying collateral.

***Debts issued*** designated as at fair value through profit and loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. The issuance spread is considered observable.

***Derivatives*** classified in Level 2 comprise mainly the following instruments:

- Vanilla instruments such as interest rate swaps, caps, floors and swaptions, credit default swaps, equity/foreign exchange (FX)/ commodities forwards and options;
- Structured derivatives such as exotic FX options, mono- and multi-underlying equity/funds derivatives, single curve exotic interest rate derivatives and derivatives based on structured rates.

The above derivatives are classified in Level 2 when there is a documented stream of evidence supporting one of the following:

- Fair value is predominantly derived from prices or quotations of other Level 1 and Level 2 instruments, through standard market interpolation or stripping techniques whose results are regularly corroborated by real transactions;
- Fair value is derived from other standard techniques such as replication or discounted cash flows that are calibrated to observable prices, that bear limited model risk and enable an effective offset of the risks of the instrument through trading Level 1 or Level 2 instruments;
- Fair value is derived from more sophisticated or proprietary valuation techniques but is directly evidenced through regular back-testing using external market-based data.

Determining of whether an over-the-counter (OTC) derivative is eligible for Level 2 classification involves judgement. Consideration is given to the origin, transparency and reliability of external data used, and the amount of uncertainty associated with the use of models. It follows that the Level 2 classification criteria involve multiple analysis axis within an "observability zone" whose limits are determined by i) a predetermined list of product categories and ii) the underlying and maturity bands. These criteria are regularly reviewed and updated, together with the applicable valuation adjustments, so that the classification by level remains consistent with the valuation adjustment policy.

## Level 3

**Level 3 securities** of the trading book mainly comprise units of funds and unlisted equity shares.

Fund units relate to real estate funds for which the valuation of the underlying investments is not frequent, as well as hedge funds for which the observation of the net asset value is not frequent.

Unlisted private equities are systematically classified as Level 3, with the exception of UCITS with a daily net asset value, presented as unlisted securities in note 4.c, but which are classified in the Level 1 of the fair value hierarchy. Shares and other unlisted variable income securities in Level 3 are valued using one of the following methods: a share of revalued net book value, multiples of comparable companies, future cash flows method, multi-criteria approach.

As at 31 December 2017, CLOs and CDOs of ABSs linked to legacy activity represented the large majority of the Level 3 trading book stock. Fair value is determined using a methodology that takes into consideration both the available external indicative prices as well as discounted expected cash flows. Constant prepayment rates are amongst the main unobservable inputs required to model the underlying pool of cash flow payments. Other unobservable inputs are related to the cash/synthetic funding basis and the discounting margin.

CDOs of ABSs collateral pools comprise Commercial Real Estate Loans, Commercial Mortgage Backed Securities – CMBSs and Residential Mortgage Backed Securities – RMBSs. The fair value of CDOs is based on a "liquidation approach" and a "discounted expected cash flow" approach, depending on the distressed nature of the collateral.

For RMBSs, prices are obtained to a large extent from external sources, while for Commercial Real Estate Loans prices are independently valued by an external provider.

The Discounted Expected Cash flow approach for CDOs takes in consideration both an internal and an external independent set of hypotheses to derive expectations about the underlying cash flow payments. Such cash flow expectations are then passed through the CDO waterfall modelled in external platforms, allowing deriving cash flow expectations of the considered CDO tranche. Similarly to the above, fair value requires assumptions about the cash/synthetic funding basis and a discount margin.

***Repurchase agreements: mainly long-term or structured repurchase agreements on corporate bonds and ABSs:*** The valuation of these transactions requires proprietary methodologies given the bespoke nature of the transactions and the lack of activity and price discovery in the long-term repo market. The curves used in the valuation are corroborated using available data such as the implied basis of the relevant benchmark bond pool, recent long-term repo trade data and price enquiry data. Valuation adjustments applicable to these exposures are commensurate with the degree of uncertainty inherent in the modelling choices and amount of data available.

***Debts issued*** designated as at fair value through profit or loss, are classified in the same level as the one that would apply to the embedded derivative taken individually. The issuance spread is considered observable.

*Derivatives*

**Vanilla derivatives** are classified in Level 3 when the exposure is beyond the observation zone for rate curves or volatility surfaces, or relates to less liquid markets such as tranches on old credit index series or emerging markets interest rates markets. The main instruments are:

- ***Interest rate derivatives:*** exposures mainly comprise swap products in less liquid currencies. Classification is driven by the lower liquidity of some maturities, while observation capabilities through consensus may be available. The valuation technique is standard, and uses external market information and extrapolation techniques.
- ***Credit derivatives (CDS):*** exposures mainly comprise CDSs beyond the maximum observable maturity and, to a much lesser extent, CDSs on illiquid or distressed names and CDSs on loan indices. Classification is driven by the lack of liquidity while observation capabilities may be available notably through consensus. Level 3 exposures also comprise CDS and Total Return Swaps (TRS) positions on securitised assets. These are priced along the same modelling techniques as the underlying bonds, taking into consideration the funding basis and specific risk premium.
- ***Equity derivatives:*** exposures essentially comprise long dated forward or volatility products or exposures where there is a limited market for optional products. The marking of the forward curves and volatility surfaces beyond the maximum observable maturity relies on extrapolation techniques. However, when there is no market for model input, volatility or forward is generally determined on the basis of proxy or historical analysis.

These vanilla derivatives are subject to valuation adjustments linked to uncertainty on liquidity, specialised by nature of underlying and liquidity bands.

**Structured derivatives** classified in Level 3 predominantly comprise structured derivatives of which hybrid products (FX/Interest Rates hybrids, Equity hybrids), credit correlation products, prepayment-sensitive products, some stock basket optional products and some interest rate optional instruments. The main exposures are described below, with insight into the related valuation techniques and on the source of uncertainty:

- ***Structured interest rate options*** are classified in Level 3 when they involve currencies where there is not sufficient observation or when they include a quanto feature where the pay-off is measured with a forex forward fixed rate (except for the main currencies). Long term structured derivatives are also classified in Level 3.
- ***Hybrid FX/Interest rate products*** essentially comprise a specific product family known as Power Reverse Dual Currency (PRDC). The valuation of PRDCs requires sophisticated modelling of joint behaviour of FX and interest rate, and is notably sensitive to the unobservable FX/interest rate correlations. PRDCs valuations are corroborated with recent trade data and consensus data.
- ***Securitisation swaps*** mainly comprise fixed rate swaps, cross currency or basis swaps whose notional is indexed to the prepayment behaviour of some underlying portfolio. The estimation of the maturity profile of securitisation swaps is corroborated by statistical estimates using external historical data.
- ***Forward volatility options*** are generally products whose pay-off is indexed to the future variability of a rate index such as volatility swaps. These products involve material model risk as it is difficult to infer forward volatility information from the market-traded instruments. The valuation adjustment framework is calibrated to the uncertainty inherent in the product, and to the range of uncertainty from the existing external consensus data.
- ***Inflation derivatives*** classified in Level 3 mainly comprise swap products on inflation indices that are not associated with a liquid indexed bond market, optional products on inflation indices (such as caps and floors) and other forms of inflation indices involving optionality on the inflation indices or on the inflation annual rate. Valuation techniques used for inflation derivatives are predominantly standard market models. Proxy techniques are used for a few limited exposures. Although the valuations are corroborated through monthly consensus data, these products are classified as Level 3 due to their lack of liquidity and some uncertainties inherent in the calibration.
- The valuation of ***bespoke CDOs*** requires correlation of default events. This information is inferred from the active index tranche market through a proprietary projection technique and involves proprietary

extrapolation and interpolation techniques. Multi-geography CDOs further require an additional correlation assumption. Finally, the bespoke CDO model also involves proprietary assumptions and parameters related to the dynamic of the recovery factor. CDO modelling, is calibrated on the observable index tranche markets, and is regularly back-tested against consensus data on standardised pools. The uncertainty arises from the model risk associated with the projection and geography mixing technique, and the uncertainty of associated parameters, together with the recovery modelling.

- ***N to Default baskets*** are other forms of credit correlation products, modelled through standard copula techniques. The main inputs required are the pair-wise correlations between the basket components which can be observed in the consensus and the transactions. Linear baskets are considered observable.
- ***Equity and equity-hybrid correlation products*** are instruments whose pay-off is dependent on the joint behaviour of a basket of equities/indices leading to a sensitivity of the fair value measurement to the correlation amongst the basket components. Hybrid versions of these instruments involve baskets that mix equity and non-equity underlyings such as commodity indices. Only a subset of the Equity/index correlation matrix is regularly observable and traded, while most cross-asset correlations are not active. Therefore, classification in Level 3 depends on the composition of the basket, the maturity, and the hybrid nature of the product. The correlation input is derived from a proprietary model combining historical estimators, and other adjustment factors, that are corroborated by reference to recent trades or external data. The correlation matrix is essentially available from consensus services, and when a correlation between two underlying instruments is not available, it might be obtained from extrapolation or proxy techniques.

These structured derivatives are subject to specific valuation adjustments to cover uncertainties linked to liquidity, parameters and model risk.

### Valuation adjustments (CVA, DVA and FVA)

The valuation adjustment for counterparty credit risk (CVA), own-credit risk for derivatives (DVA) and the explicit funding valuation adjustment (FVA) are deemed to be unobservable components of the valuation framework and therefore classified in Level 3. This does not impact, in general cases, the classification of individual transactions into the fair value hierarchy. However, a specific process allows to identify individual deals for which the marginal contribution of these adjustments and related uncertainty is significant. Are particularly concerned some insufficiently collateralized vanilla interest rate instruments with very long residual maturity.

The below table provides the range of values of main unobservable inputs for the valuation of Level 3 financial instruments. The ranges displayed correspond to a variety of different underlying instruments and are meaningful only in the context of the valuation technique implemented by BNP Paribas. The weighted averages, where relevant and available, are based on fair values, nominal amounts or sensitivities.

The main unobservable parameters used for the valuation of debt issued in Level 3 are equivalent to these of their economic hedge derivative. Information on those derivatives, displayed in the following table, is also applicable to these debts.

| Risk classes | Balance Sheet valuation *(in millions of euros)* | | Main product types composing the Level 3 stock within the risk class | Valuation technique used for the product types considered | Main unobservable inputs for the product types considered | Range of unobservable input across Level 3 population considered | Weighted average |
|---|---|---|---|---|---|---|---|
| | Asset | Liability | | | | | |
| **Repurchase agreements** | 469 | 1,015 | Long-term repo and reverse-repo agreements | Proxy techniques, based amongst other on the funding basis of a benchmark bond pool, that is actively traded and representative of the repo underlying | Long-term repo spread on private bonds (High Yield, High Grade) and on ABSs | 0 bp to 59 bp | 27 bp(b) |
| **Interest rate derivatives** | 1,646 | 1,411 | Hybrid Forex/Interest rates derivatives | Hybrid Forex interest rate option pricing model | Correlation between FX rate and interest rates. Main currency pairs are EUR/JPY, USD/JPY, AUD/JPY | 13% to 56% | 42%(b) |
| | | | Hybrid inflation rates/Interest rates derivatives | Hybrid inflation interest rate option pricing model | Correlation between interest rates and inflation rates mainly in Europe. | -10% to 20% | 13% |
| | | | Floors and caps on inflation rate or on the cumulative inflation (such as redemption floors), predominantly on European and French inflation | Inflation pricing model | Volatility of cumulative inflation | 0.7% to 10.2% | (c) |
| | | | | | Volatility of the year on year inflation rate | 0.3% to 2.1% | |
| | | | Forward Volatility products such as volatility swaps, mainly in euro | Interest rates option pricing model | Forward volatility of interest rates | 0.4% to 0.7% | (c) |
| | | | Balance-guaranteed fixed rate, basis or cross currency swaps, predominantly on European collateral pools | Prepayment modelling Discounted cash flows | Constant prepayment rates | 0.1% to 40% | 8%(b) |
| **Credit Derivatives** | 204 | 600 | Collateralised Debt Obligations and index tranches for inactive index series | Base correlation projection technique and recovery modelling | Base correlation curve for bespoke portfolios | 20% to 86% | (c) |
| | | | | | Inter-regions default cross correlation | 80% to 90% | 90%(a) |
| | | | | | Recovery rate variance for single name underlyings | 0 to 25% | (c) |
| | | | N-to-default baskets | Credit default model | Default correlation | 50% to 91% | 56%(b) |
| | | | Single name Credit Default Swaps (other than CDS on ABSs and loans indices) | Stripping, extrapolation and interpolation | Credit default spreads beyond observation limit (10 years) | 55 bp to 218 bp (1) | 191 bp(a) |
| | | | | | Illiquid credit default spread curves (across main tenors) | 1 bp to 550 bp(2) | 96 bp(a) |
| **Equity Derivatives** | 1,075 | 6,535 | Simple and complex derivatives on multi-underlying baskets on stocks | Various volatility option models | Unobservable equity volatility | 0% to 88% (3) | (c) |
| | | | | | Unobservable equity correlation | 9% to 97% | 60%(a) |

*(1) The upper part of the range relates to non-material balance sheet position on a European corporate. The other part relates mainly to sovereign issuers.*
*(2) The upper bound of the range relates to an energy sector issuer that represents an insignificant portion of the balance sheet on CDSs with illiquid underlying.*
*(3) The upper part of the range relates to ten equity instruments representing a non-material portion of the balance sheet on options with equity underlying instrument. Including these inputs, the upper bound of the range would be around 407%.*
*(a) Weighting is not based on risks, but on an alternative methodology in relation with the Level 3 instruments (present value or notional).*
*(b) Weights based on relevant risk axis at portfolio level.*
*(c) No weighting, since no explicit sensitivity is attributed to these inputs.*

## Table of movements in Level 3 financial instruments

For Level 3 financial instruments, the following movements occurred between 1 January 2016 and 31 December 2017:

| | Financial Assets | | | | Financial Liabilities | | |
|---|---|---|---|---|---|---|---|
| *In millions of euros* | Financial instruments at fair value through profit or loss held for trading | Financial instruments designated as at fair value through profit or loss | Available-for-sale financial assets | TOTAL | Financial instruments at fair value through profit or loss held for trading | Financial instruments designated as at fair value through profit or loss | TOTAL |
| **AT 31 DECEMBER 2015** | **11,071** | **3,743** | **9,320** | **24,134** | **(11,607)** | **(11,281)** | **(22,888)** |
| Purchases | 2,061 | 1,308 | 1,133 | **4,502** | | | - |
| Issues | | | | - | (2,266) | (5,720) | **(7,986)** |
| Sales | (1,429) | (1,210) | (2,098) | **(4,737)** | | | - |
| Settlements(1) | (1,706) | (115) | (123) | **(1,944)** | (1,486) | 3,889 | **2,403** |
| Transfers to Level 3 | 427 | 7 | 654 | **1,088** | (430) | (1,393) | **(1,823)** |
| Transfers from Level 3 | (4,283) | (218) | (653) | **(5,154)** | 903 | 1,401 | **2,304** |
| Gains (or losses) recognised in profit or loss with respect to transactions expired or terminated during the period | (148) | 376 | (278) | **(50)** | 3,071 | 6 | **3,077** |
| Gains (or losses) recognised in profit or loss with respect to unexpired instruments at the end of the period | 2,612 | 43 | (15) | **2,640** | 148 | (41) | **107** |
| Changes in fair value of assets and liabilities recognised directly in equity | | | | | | | |
| Items related to exchange rate movements | (163) | | | **(163)** | (238) | (67) | **(305)** |
| Changes in fair value of assets and liabilities recognised in equity | | | 340 | **340** | | | - |
| **AT 31 DECEMBER 2016** | **8,442** | **3,934** | **8,280** | **20,656** | **(11,905)** | **(13,206)** | **(25,111)** |
| Purchases | 1,179 | 1,483 | 1,599 | **4,261** | | | - |
| Issues | | | | - | | (8,313) | **(8,313)** |
| Sales | (928) | (874) | (2,167) | **(3,969)** | | | - |
| Settlements(1) | (2,955) | (39) | (977) | **(3,971)** | (2,173) | 6,900 | **4,727** |
| Transfers to Level 3 | 442 | 252 | 205 | **899** | (409) | (209) | **(618)** |
| Transfers from Level 3 | (2,123) | (25) | (221) | **(2,369)** | 2,827 | 1,102 | **3,929** |
| Gains (or losses) recognised in profit or loss with respect to transactions expired or terminated during the period | 24 | 140 | (262) | **(98)** | 55 | 56 | **111** |
| Gains (or losses) recognised in profit or loss with respect to unexpired instruments at the end of the period | (57) | 33 | (5) | **(29)** | 1,149 | (169) | **980** |
| Changes in fair value of assets and liabilities recognised directly in equity | | | | | | | |
| Items related to exchange rate movements | (136) | (8) | (145) | **(289)** | 387 | 377 | **764** |
| Changes in fair value of assets and liabilities recognised in equity | | | 256 | **256** | | | - |
| **AT 31 DECEMBER 2017** | **3,888** | **4,896** | **6,563** | **15,347** | **(10,069)** | **(13,462)** | **(23,531)** |

(1) *For the assets, includes redemptions of principal, interest payments as well as cash inflows and outflows relating to derivatives. For the liabilities, includes principal redemptions, interest payments as well as cash inflows and outflows relating to derivatives the fair value of which is negative.*

Transfers out of Level 3 of derivatives at fair value include mainly the update of the observability tenor of certain yield curves, and of market parameters related to repurchase agreements and credit transactions but also the effect of derivatives becoming only or mainly sensitive to observable inputs due to the shortening of their lifetime.

Transfers into Level 3 of instruments at fair value reflect the effect of the regular update of the observability zones.

Transfers have been reflected as if they had taken place at the beginning of the reporting period.

The Level 3 financial instruments may be hedged by other Level 1 and Level 2 instruments, the gains and losses of which are not shown in this table. Consequently, the gains and losses shown in this table are not representative of the gains and losses arising from management of the net risk on all these instruments.

## Sensitivity of fair value to reasonably possible changes in Level 3 assumptions

The following table summarises those financial assets and financial liabilities classified as Level 3 for which alternative assumptions in one or more of the unobservable inputs would change fair value significantly.

The amounts disclosed are intended to illustrate the range of possible uncertainty inherent to the judgement applied when estimating Level 3 parameters, or when selecting valuation techniques. These amounts reflect valuation uncertainties that prevail at the measurement date, and even though such uncertainties predominantly derive from the portfolio sensitivities that prevailed at that measurement date, they are not predictive or indicative of future movements in fair value, nor do they represent the effect of market stress on the portfolio value.

In estimating sensitivities, BNP Paribas either remeasured the financial instruments using reasonably possible inputs, or applied assumptions based on the valuation adjustment policy.

For the sake of simplicity, the sensitivity on cash instruments that are not relating to securitised instruments was based on a uniform 1% shift in the price. More specific shifts were however calibrated for each class of the Level 3 securitised exposures, based on the possible ranges of the unobservable inputs.

For derivative exposures, the sensitivity measurement is based on the credit valuation adjustment (CVA), the explicit funding valuation adjustment (FVA) and the parameter and model uncertainty adjustments related to Level 3.

Regarding the credit valuation adjustment (CVA) and the explicit funding valuation adjustment (FVA), the uncertainty was calibrated based on prudent valuation adjustments described in the technical standard "Prudent Valuation" published by the European Banking Authority. For other valuation adjustments, two scenarios were considered: a favourable scenario where all or portion of the valuation adjustment is not considered by market participants, and an unfavourable scenario where market participants would require twice the amount of valuation adjustments considered by BNP Paribas for entering into a transaction.

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| *In millions of euros* | Potential impact on income | Potential impact on equity | Potential impact on income | Potential impact on equity |
| Asset Backed Securities (ABS) | +/-2 | | +/-12 | +/-1 |
| *CDOs / CLOs* | *+/-1* | | *+/-12* | |
| *Other Asset Backed Securities* | *+/-1* | | | *+/-1* |
| Other fixed-income securities | +/-2 | +/-7 | +/-2 | +/-9 |
| Equities and other variable-income securities | +/-48 | +/-58 | +/-42 | +/-73 |
| Repurchase agreements | +/-10 | | +/-7 | |
| Derivative financial instruments | +/-552 | | +/-844 | |
| *Interest rate and foreign exchange derivatives* | *+/-357* | | *+/-605* | |
| *Credit derivatives* | *+/-35* | | *+/-59* | |
| *Equity derivatives* | *+/-155* | | *+/-169* | |
| *Other derivatives* | *+/-5* | | *+/-11* | |
| **SENSITIVITY OF LEVEL 3 FINANCIAL INSTRUMENTS** | **+/-614** | **+/-65** | **+/-907** | **+/-83** |

### Deferred margin on financial instruments measured using techniques developed internally and based on inputs partly unobservable in active markets

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

The day one profit is calculated after setting aside valuation adjustments for uncertainties as described previously and released to profit or loss over the expected period for which the inputs will be unobservable. The unamortised amount is included under "Financial instruments at fair value through profit or loss" as a reduction in the fair value of the relevant transactions.

| *In millions of euros* | Deferred margin at 31 December 2016 | Deferred margin on transactions during the year | Margin taken to the profit and loss account during the year | Deferred margin at 31 December 2017 |
|---|---|---|---|---|
| Interest rate and foreign exchange derivatives | 331 | 108 | (130) | 309 |
| Credit derivatives | 104 | 53 | (61) | 96 |
| Equity derivatives | 315 | 171 | (210) | 276 |
| Other derivatives | 6 | 4 | (5) | 5 |
| **Derivative financial instruments** | **756** | **336** | **(406)** | **686** |

## 4.e RECLASSIFICATION OF FINANCIAL INSTRUMENTS INITIALLY RECOGNISED AS AT FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING PURPOSES OR AS AVAILABLE-FOR-SALE ASSETS



The amendments to IAS 39 and IFRS 7 adopted by the European Union on 15 October 2008 permit the reclassification of instruments initially held for trading or available-for-sale within the customer loan portfolios or as available-for-sale securities.

| *In millions of euros* | Reclassification date | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|
| | | Carrying value | Market or model value | Carrying value | Market or model value |
| **Fixed-income securities from the available-for-sale portfolio** | | **385** | **448** | **509** | **604** |
| *of which Portuguese sovereign securities* | *30 June 2011* | *143* | *157* | *274* | *301* |
| *of which Irish sovereign securities* | *30 June 2011* | *242* | *291* | *235* | *303* |
| **Structured transactions and other fixed-income securities from the trading portfolio** | **1 October 2008/ 30 June 2009** | **546** | **560** | **961** | **940** |

Without these reclassifications, the Group's net income would not have been significantly different for the year ended 31 December 2017, nor for the year ended 31 December 2016. Similarly, changes in value of assets and liabilities recognised directly in equity would not have been significantly different in 2017, nor in 2016.

## 4.f INTERBANK AND MONEY-MARKET ITEMS

### ➤ LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| On demand accounts | 8,063 | 6,513 |
| Loans[1] | 36,017 | 37,664 |
| Repurchase agreements | 1,699 | 3,422 |
| **TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, BEFORE IMPAIRMENT** | **45,779** | **47,599** |
| *of which doubtful loans* | *155* | *274* |
| **Impairment of loans and receivables due from credit institutions *(note 2.g)*** | **(109)** | **(188)** |
| specific impairment | (93) | (167) |
| collective provisions | (16) | (21) |
| **TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, NET OF IMPAIRMENT** | **45,670** | **47,411** |

*(1) Loans and receivables due from credit institutions include term deposits made with central banks, which amounted to EUR 1,570 million as at 31 December 2017 (EUR 2,192 million as at 31 December 2016).*



### ➤ DUE TO CREDIT INSTITUTIONS

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| On demand accounts | 9,906 | 10,775 |
| Borrowings | 61,881 | 60,189 |
| Repurchase agreements | 4,716 | 4,696 |
| **TOTAL DUE TO CREDIT INSTITUTIONS** | **76,503** | **75,660** |

## 4.g CUSTOMER ITEMS

### ➤ LOANS AND RECEIVABLES DUE FROM CUSTOMERS

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| On demand accounts | 44,423 | 45,672 |
| Loans to customers | 676,966 | 663,329 |
| Repurchase agreements | 669 | 1,723 |
| Finance leases | 30,303 | 28,554 |
| **TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, BEFORE IMPAIRMENT** | **752,361** | **739,278** |
| *of which doubtful loans* | *37,531* | *41,779* |
| **Impairment of loans and receivables due from customers *(note 2.g)*** | **(24,686)** | **(27,045)** |
| specific impairment | (21,379) | (23,924) |
| collective provisions | (3,307) | (3,121) |
| **TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, NET OF IMPAIRMENT** | **727,675** | **712,233** |

### BREAKDOWN OF FINANCE LEASES

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Gross investment** | **34,117** | **31,755** |
| *Receivable within 1 year* | *10,472* | *9,479* |
| *Receivable after 1 year but within 5 years* | *20,490* | *17,576* |
| *Receivable beyond 5 years* | *3,155* | *4,700* |
| Unearned interest income | (3,814) | (3,201) |
| **Net investment before impairment** | **30,303** | **28,554** |
| *Receivable within 1 year* | *9,253* | *8,562* |
| *Receivable after 1 year but within 5 years* | *18,260* | *15,731* |
| *Receivable beyond 5 years* | *2,790* | *4,261* |
| **Impairment provisions** | **(935)** | **(990)** |
| **Net investment after impairment** | **29,368** | **27,564** |

### DUE TO CUSTOMERS

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| On demand deposits | 456,233 | 443,379 |
| Savings accounts | 146,422 | 145,273 |
| Term accounts and short-term notes | 162,769 | 174,943 |
| Repurchase agreements | 1,466 | 2,358 |
| **TOTAL DUE TO CUSTOMERS** | **766,890** | **765,953** |

## 4.h PAST-DUE AND DOUBTFUL LOANS

The following tables present the carrying amounts of financial assets that are past due but not impaired and impaired assets and related collateral or other guarantees. The amounts shown are stated before any provision on a portfolio basis.

The amounts shown for collateral and other guarantees correspond to the lower of the value of the collateral or other guarantee and the value of the secured assets.

### PAST-DUE BUT NOT IMPAIRED LOANS

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | < 90 days | > 90 days < 180 days | > 180 days < 1 year | > 1 year | Total | Collateral received |
| Loans and receivables due from credit institutions | 209 | 1 | 25 | 2 | 237 | 99 |
| Loans and receivables due from customers | 12,627 | 420 | 209 | 436 | 13,692 | 6,001 |
| **TOTAL PAST-DUE BUT NOT IMPAIRED LOANS** | **12,836** | **421** | **234** | **438** | **13,929** | **6,100** |

| | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | < 90 days | > 90 days < 180 days | > 180 days < 1 year | > 1 year | Total | Collateral received |
| Loans and receivables due from credit institutions | 253 | 1 | | 1 | 255 | 42 |
| Loans and receivables due from customers | 11,271 | 296 | 166 | 333 | 12,066 | 5,809 |
| **TOTAL PAST-DUE BUT NOT IMPAIRED LOANS** | **11,524** | **297** | **166** | **334** | **12,321** | **5,851** |

## DOUBTFUL LOANS

| *In millions of euros* | 31 December 2017 | | | |
|---|---|---|---|---|
| | Doubtful loans | | | Collateral received |
| | Gross value | Impairment | Net | |
| Available-for-sale financial assets (excl. variable-income securities) *(note 4.c)* | 264 | (146) | 118 | |
| Loans and receivables due from credit institutions *(note 4.f)* | 155 | (93) | 62 | 156 |
| Loans and receivables due from customers *(note 4.g)* | 37,531 | (21,379) | 16,152 | 11,213 |
| **Doubtful assets** | **37,950** | **(21,618)** | **16,332** | **11,369** |
| Financing commitments given | 888 | (38) | 850 | 652 |
| Guarantee commitments given | 1,064 | (255) | 809 | |
| **Off-balance sheet doubtful commitments** | **1,952** | **(293)** | **1,659** | **652** |
| **TOTAL** | **39,902** | **(21,911)** | **17,991** | **12,021** |

| *In millions of euros* | 31 December 2016 | | | |
|---|---|---|---|---|
| | Doubtful loans | | | Collateral received |
| | Gross value | Impairment | Net | |
| Available-for-sale financial assets (excl. variable-income securities) *(note 4.c)* | 99 | (78) | 21 | |
| Loans and receivables due from credit institutions *(note 4.f)* | 274 | (167) | 107 | 351 |
| Loans and receivables due from customers *(note 4.g)* | 41,779 | (23,924) | 17,855 | 11,981 |
| **Doubtful assets** | **42,152** | **(24,169)** | **17,983** | **12,332** |
| Financing commitments given | 1,055 | (29) | 1,026 | 1,058 |
| Guarantee commitments given | 1,374 | (349) | 1,025 | |
| **Off-balance sheet doubtful commitments** | **2,429** | **(378)** | **2,051** | **1,058** |
| **TOTAL** | **44,581** | **(24,547)** | **20,034** | **13,390** |

## 4.i DEBT SECURITIES AND SUBORDINATED DEBT

This note covers all debt securities in issue and subordinated debt measured at amortised cost and designated as at fair value through profit or loss.

### ➤ DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (NOTE 4.A)

| Issuer/Issue date *In millions of euros* | Currency | Original amount in foreign currency *(millions)* | Date of call or interest step-up | Interest rate | Interest step-up | Conditions precedent for coupon payment(1) | Amount(2) eligible to Tier 1 | Amount(2) eligible to Tier 2 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Debt securities** | | | | | | | | | 47,487 | 47,710 |
| **Subordinated debt** | | | | | | | 205 | 86 | 836 | 1,012 |
| **Redeemable subordinated debt** | | | (3) | | | | - | 86 | 167 | 424 |
| **Perpetual subordinated debt** | | | | | | | 205 | - | 669 | 588 |
| BNP Paribas Fortis Dec. 2007 | EUR | 3,000 | Dec.-14 | 3-month Euribor +200 bp | | A | 205 | | 669 | 588 |

*(1) Conditions precedent for coupon payment:*
*A Coupon payments are halted should the issuer have insufficient capital or the underwriters become insolvent or when the dividend declared for Ageas shares falls below a certain threshold.*
*(2) Given the eligibility criteria and prudential adjustments, including the own credit risk and amortisation of instruments.*
*(3) After agreement from the banking supervisory authority and at the issuer's initiative, these debt issues may contain a call provision authorising the Group to redeem the securities prior to maturity by repurchasing them in the stock market, via public tender offers, or in the case of private placements over the counter. Debt issued by BNP Paribas SA or foreign subsidiaries of the Group via placements in the international markets may be subject to early redemption of the capital and early payment of interest due at maturity at the issuer's discretion on or after a date stipulated in the issue particulars (call option), or in the event that changes in the applicable tax rules oblige the BNP Paribas Group issuer to compensate debt-holders for the consequences of such changes. Redemption may be subject to a notice period of between 15 and 60 days, and is in all cases subject to approval by the banking supervisory authorities.*

The perpetual subordinated debt recognised at fair value through profit or loss consists of Convertible And Subordinated Hybrid Equity-linked Securities (CASHES) issued by BNP Paribas Fortis (previously Fortis Banque) in December 2007.

The CASHES are perpetual securities but may be exchanged for Ageas (previously Fortis SA/NV) shares at the holder's sole discretion at a price of EUR 239.40. However, as of 19 December 2014, the CASHES will be automatically exchanged into Ageas shares if their price is equal to or higher than EUR 359.10 for twenty consecutive trading days. The principal amount will never be redeemed in cash. The rights of the CASHES holders are limited to the Ageas shares held by BNP Paribas Fortis and pledged to them.

Ageas and BNP Paribas Fortis have entered into a Relative Performance Note (RPN) contract, the value of which varies contractually so as to offset the impact on BNP Paribas Fortis of the relative difference between changes in the value of the CASHES and changes in the value of the Ageas shares.

On 7 May 2015, BNP Paribas and Ageas reached a new agreement which allows BNP Paribas to purchase outstanding CASHES under the condition that these are converted into Ageas shares, leading to a proportional settlement of the RPN. The agreement between Ageas and BNP Paribas expired on 31 December 2016 and was not renewed.

On 24 July 2015, BNP Paribas obtained the prior agreement from the European Central Bank to proceed to purchase CASHES within a limit of EUR 200 million nominal amount. In 2016, this agreement was used for EUR 164 million, converted into Ageas shares.

On 8 July 2016, BNP Paribas obtained a new agreement from the European Central Bank to proceed to purchase CASHES within a limit of EUR 200 million nominal amount. This agreement supersedes the previous one.

On 11 August 2017, the European Central Bank accepted the request formulated by BNP Paribas to cancel the agreement to purchase CASHES.

As at 31 December 2017, the subordinated liability is eligible to Tier 1 capital for EUR 205 million (considering the transitional period).

Maturity schedule of debt securities and redeemable subordinated debt designated as at fair value through profit or loss, by contractual maturity:

| Maturity or call option date *In millions of euros* | 2018 | 2019 | 2020 | 2021 | 2022 | 2023-2027 | After 2027 | Total at 31 Dec. 2017 |
|---|---|---|---|---|---|---|---|---|
| Debt securities | 11,209 | 6,440 | 7,167 | 5,104 | 4,695 | 8,648 | 4,224 | 47,487 |
| Redeemable subordinated debt | 45 | - | 68 | 11 | 19 | - | 24 | 167 |
| **TOTAL** | **11,254** | **6,440** | **7,235** | **5,115** | **4,714** | **8,648** | **4,248** | **47,654** |

| Maturity or call option date *In millions of euros* | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 | After 2026 | Total at 31 Dec. 2016 |
|---|---|---|---|---|---|---|---|---|
| Debt securities | 11,658 | 6,443 | 6,051 | 6,476 | 4,877 | 8,375 | 3,830 | 47,710 |
| Redeemable subordinated debt | 262 | 43 | - | 67 | 10 | 20 | 22 | 424 |
| **TOTAL** | **11,920** | **6,486** | **6,051** | **6,543** | **4,887** | **8,395** | **3,852** | **48,134** |

## DEBT SECURITIES MEASURED AT AMORTISED COST

| Issuer/Issue date<br>*In millions of euros* | Currency | Original amount in foreign currency *(millions)* | Date of call or interest step-up | Interest rate | Interest step-up | Conditions precedent for coupon payment[1] | Amount[2] eligible to Tier 1 | Amount[2] eligible to Tier 2 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Debt securities** | | | | | | | | | **148,156** | **153,422** |
| **Debt securities in issue with an initial maturity of less than one year** | | | | | | | | | **72,337** | **78,726** |
| Negotiable debt securities | | | | | | | | | 72,337 | 78,726 |
| **Debt securities in issue with an initial maturity of more than one year** | | | | | | | | | **75,819** | **74,696** |
| Negotiable debt securities | | | | | | | | | 65,772 | 70,379 |
| Bonds | | | | | | | | | 10,047 | 4,317 |
| **Subordinated debt** | | | | | | | - | **13,147** | **15,951** | **18,374** |
| **Redeemable subordinated debt** | | | (3) | | | | - | **12,348** | **14,116** | **16,511** |
| **Undated subordinated notes** | | | | | | | - | **577** | **1,593** | **1,627** |
| BNP Paribas SA Oct. 85 | EUR | 305 | - | TMO -0.25% | - | B | | 254 | 254 | 254 |
| BNP Paribas SA Sept. 86 | USD | 500 | - | 6 month-Libor +0.075% | - | C | | 228 | 228 | 260 |
| BNP Paribas Cardif Nov. 14 | EUR | 1,000 | Nov.-25 | 4.032% | 3-month Euribor +393 bp | D | | | 1,000 | 1,000 |
| Others | | | | | | | | 95 | 111 | 113 |
| **Participating notes** | | | | | | | - | **222** | **222** | **222** |
| BNP Paribas SA July 84 [4] | EUR | 337 | - | (5) | - | | | 215 | 215 | 215 |
| Others | | | | | | | | 7 | 7 | 7 |
| **Expenses and commission, related debt** | | | | | | | - | - | **20** | **14** |

*(1) Conditions precedent for coupon payment.*

*B Payment of the interest is mandatory, unless the Board of Directors decides to postpone these payments after the Shareholders' General Meeting has officially noted that there is no income available for distribution, where this occurs within the 12-month period preceding the due date for payment of the interest. Interest payments are cumulative and are payable in full once dividend payments resume.*

*C Payment of the interest is mandatory, unless the Board of Directors decides to postpone these payments after the Shareholders' General Meeting has validated the decision not to pay out a dividend, where this occurs within the 12-month period preceding the due date for payment of the interest. Interest payments are cumulative and are payable in full once dividend payments resume. The bank has the option of resuming payment of interest arrears, even where no dividend is paid out.*

*D Payment of the interest is mandatory, except for cases of regulatory deficiency, in agreement with the regulator, or of suspension of payments. Interest payments are cumulative and are payable in full, once coupon payments resume, or, if these events occur before, when the issuance is redeemed or when the issuer is liquidated.*

*(2) Given the eligibility criteria and prudential adjustments, including amortisation of instruments.*

*(3) See reference relating to "Debt securities at fair value through profit or loss".*

*(4) The participating notes issued by BNP Paribas SA may be repurchased as provided for in the law of 3 January 1983. The number of notes in the market is 1,434,092.*

*(5) Depending on net income subject to a minimum of 85% of the TMO rate and a maximum of 130% of the TMO rate.*



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Maturity schedule of medium and long-term debt securities and redeemable subordinated debt carried at amortised cost with a maturity at issuance of more than one year, by contractual maturity:

| Maturity or call option date *In millions of euros* | 2018 | 2019 | 2020 | 2021 | 2022 | 2023-2027 | After 2027 | Total at 31 Dec. 2017 |
|---|---|---|---|---|---|---|---|---|
| Medium- and long-term debt securities | 12,690 | 9,331 | 9,085 | 9,503 | 8,590 | 21,917 | 4,703 | 75,819 |
| Redeemable subordinated debt | 760 | 202 | 33 | 8 | 382 | 12,036 | 695 | 14,116 |
| **TOTAL** | **13,450** | **9,533** | **9,118** | **9,511** | **8,972** | **33,953** | **5,398** | **89,935** |

| Maturity or call option date *In millions of euros* | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 | After 2026 | Total at 31 Dec. 2016 |
|---|---|---|---|---|---|---|---|---|
| Medium- and long-term debt securities | 16,490 | 7,580 | 7,699 | 9,596 | 10,561 | 20,622 | 2,148 | 74,696 |
| Redeemable subordinated debt | 4,170 | 548 | 216 | 27 | 8 | 9,170 | 2,372 | 16,511 |
| **TOTAL** | **20,660** | **8,128** | **7,915** | **9,623** | **10,569** | **29,792** | **4,520** | **91,207** |

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## 4.j HELD-TO-MATURITY FINANCIAL ASSETS

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Treasury bills and government bonds | 4,617 | 5,937 |
| Other fixed-income securities | 175 | 163 |
| **TOTAL HELD-TO-MATURITY FINANCIAL ASSETS** | **4,792** | **6,100** |

No held-to-maturity financial asset was impaired as at 31 December 2017, nor as at 31 December 2016.

Maturity schedule of held-to-maturity financial assets by contractual maturity:

| *In millions of euros, at 31 December 2017* | < 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | TOTAL |
|---|---|---|---|---|---|---|
| Held-to-maturity financial assets | 440 | 139 | 44 | 3,074 | 1,095 | 4,792 |

| *In millions of euros, at 31 December 2016* | < 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | TOTAL |
|---|---|---|---|---|---|---|
| Held-to-maturity financial assets | - | 160 | 1,393 | 3,460 | 1,087 | 6,100 |

## 4.k CURRENT AND DEFERRED TAXES

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Current taxes | 1,538 | 1,869 |
| Deferred taxes | 5,030 | 6,097 |
| **Current and deferred tax assets** | **6,568** | **7,966** |
| Current taxes | 648 | 920 |
| Deferred taxes | 1,818 | 2,167 |
| **Current and deferred tax liabilities** | **2,466** | **3,087** |

### ➤ CHANGE IN DEFERRED TAX OVER THE PERIOD

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **NET DEFERRED TAXES AT START OF PERIOD** | **3,930** | **4,211** |
| Net losses arising from deferred taxes *(note 2.h)* | (1,114) | (729) |
| Changes in deferred taxes linked to the revaluation and reversal through profit or loss of the revaluation of available-for-sale financial assets, including those reclassified as loans and receivables | 183 | 241 |
| Changes in deferred taxes linked to the revaluation and reversal through profit or loss of the revaluation of cash flow hedge derivatives | 221 | 208 |
| Changes in deferred taxes linked to items recognised directly in equity that will not be reclassified to profit and loss | (27) | 98 |
| Effect of exchange rate, scope and other movements | 19 | (99) |
| **NET DEFERRED TAXES AT END OF PERIOD** | **3,212** | **3,930** |

### ➤ BREAKDOWN OF DEFERRED TAX ASSETS AND LIABILITIES BY NATURE

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Available-for-sale financial assets, including those reclassified as loans and receivables | (795) | (978) |
| Unrealised finance lease reserve | (414) | (613) |
| Provisions for employee benefit obligations | 990 | 1,105 |
| Provisions for credit risk | 2,188 | 2,840 |
| Other items | (395) | (375) |
| Tax loss carryforwards | 1,638 | 1,951 |
| **NET DEFERRED TAXES** | **3,212** | **3,930** |
| Deferred tax assets | 5,030 | 6,097 |
| Deferred tax liabilities | (1,818) | (2,167) |

In order to determine the amount of the tax loss carryforwards recognised as assets, the Group conducts every year a specific review for each relevant entity based on the applicable tax regime, notably incorporating any time limit rules, and a realistic projection of their future revenue and charges in line with their business plan.

Deferred tax assets recognised on tax loss carryforwards are mainly related to BNP Paribas Fortis for EUR 1,303 million, with a 7-year expected recovery period (unlimited carryforward period).

Unrecognised deferred tax assets totalled EUR 1,167 million at 31 December 2017 compared with EUR 1,645 million at 31 December 2016.

## 4.l ACCRUED INCOME/EXPENSE AND OTHER ASSETS/LIABILITIES

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Guarantee deposits and bank guarantees paid | 57,265 | 66,722 |
| Settlement accounts related to securities transactions | 15,392 | 14,584 |
| Collection accounts | 654 | 555 |
| Reinsurers' share of technical reserves | 3,002 | 2,866 |
| Accrued income and prepaid expenses | 6,145 | 5,618 |
| Other debtors and miscellaneous assets | 24,753 | 25,622 |
| **TOTAL ACCRUED INCOME AND OTHER ASSETS** | **107,211** | **115,967** |
| Guarantee deposits received | 40,612 | 54,249 |
| Settlement accounts related to securities transactions | 8,395 | 11,049 |
| Collection accounts | 717 | 695 |
| Accrued expense and deferred income | 8,731 | 7,674 |
| Other creditors and miscellaneous liabilities | 27,680 | 25,740 |
| **TOTAL ACCRUED EXPENSE AND OTHER LIABILITIES** | **86,135** | **99,407** |



The movement in "Reinsurers' share of technical reserves" breaks down as follows:

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **REINSURERS' SHARE OF TECHNICAL RESERVES AT START OF PERIOD** | **2,866** | **2,909** |
| Increase in technical reserves borne by reinsurers | 450 | 295 |
| Amounts received in respect of claims and benefits passed on to reinsurers | (368) | (378) |
| Effect of changes in exchange rates and scope of consolidation | 54 | 40 |
| **REINSURERS' SHARE OF TECHNICAL RESERVES AT END OF PERIOD** | **3,002** | **2,866** |

## 4.m EQUITY-METHOD INVESTMENTS

Cumulated financial information of associates and joint ventures is presented in the following table:

| | Year to 31 Dec. 2017 | | | 31 December 2017 | Year to 31 Dec. 2016 | | | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | Share of net income | Share of changes in assets and liabilities recognised directly in equity | Share of net income and changes in assets and liabilities recognised directly in equity | Equity-method investments | Share of net income | Share of changes in assets and liabilities recognised directly in equity | Share of net income and changes in assets and liabilities recognised directly in equity | Equity-method investments |
| Joint ventures | 48 | (57) | (9) | 1,020 | 36 | 11 | 47 | 1,023 |
| Associates[(1)] | 665 | (292) | 373 | 5,792 | 597 | (108) | 489 | 5,887 |
| **TOTAL EQUITY-METHOD ENTITIES** | **713** | **(349)** | **364** | **6,812** | **633** | **(97)** | **536** | **6,910** |

*(1) Including controlled but non material entities consolidated under the equity method.*

Financing and guarantee commitments given by the Group to joint ventures are listed in the note 7.h *Other related parties*.

The carrying amount of the Group's investment in the main joint ventures and associates is presented in the following table:

| *In millions of euros* | Country of registration | Activity | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|---|
| | | | Interest (%) | Equity-method investments | Interest (%) | Equity-method investments |
| **JOINT VENTURES** | | | | | | |
| Bpost banque | Belgium | Retail Banking | 50% | 328 | 50% | 366 |
| Union de Creditos Inmobiliarios | Spain | Retail mortgage | 50% | 288 | 50% | 267 |
| **ASSOCIATES** | | | | | | |
| AG Insurance | Belgium | Insurance | 25% | 1,687 | 25% | 1,613 |
| Bank of Nanjing | China | Retail Banking | 18% | 1,483 | 19% | 1,448 |

## 4.n PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS USED IN OPERATIONS, INVESTMENT PROPERTY

| *In millions of euros* | 31 December 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | Gross value | Accumulated depreciation, amortisation and impairment | Carrying amount | Gross value | Accumulated depreciation, amortisation and impairment | Carrying amount |
| **INVESTMENT PROPERTY** | **7,878** | **(813)** | **7,065** | **2,203** | **(292)** | **1,911** |
| Land and buildings | 7,443 | (2,074) | 5,369 | 7,800 | (1,994) | 5,806 |
| Equipment, furniture and fixtures | 6,947 | (4,857) | 2,090 | 7,024 | (4,896) | 2,128 |
| Plant and equipment leased as lessor under operating leases | 21,659 | (5,870) | 15,789 | 18,649 | (5,063) | 13,586 |
| Other property, plant and equipment | 1,961 | (1,061) | 900 | 2,088 | (1,085) | 1,003 |
| **PROPERTY, PLANT AND EQUIPMENT** | **38,010** | **(13,862)** | **24,148** | **35,561** | **(13,038)** | **22,523** |
| Purchased software | 3,366 | (2,510) | 856 | 3,332 | (2,483) | 849 |
| Internally-developed software | 4,139 | (3,189) | 950 | 4,309 | (3,304) | 1,005 |
| Other intangible assets | 1,990 | (469) | 1,521 | 1,815 | (430) | 1,385 |
| **INTANGIBLE ASSETS** | **9,495** | **(6,168)** | **3,327** | **9,456** | **(6,217)** | **3,239** |

### Investment property

Land and buildings leased by the Group as lessor under operating leases, and land and buildings held as investments in connection with the life insurance business, are recorded in "Investment property". The carrying amount increase compared to 31 December 2016 is due to the full consolidation of funds representative of investments linked to the life insurance business, which were previously recorded as available-for-sale financial assets.

The estimated fair value of investment property accounted for at amortised cost at 31 December 2017 is EUR 8,129 million, compared with EUR 2,143 million at 31 December 2016.

### Operating leases

Operating leases and investment property transactions are in certain cases subject to agreements providing for the following minimum future payments:

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Future minimum lease payments receivable under non-cancellable leases** | **6,224** | **5,676** |
| *Payments receivable within 1 year* | *2,680* | *2,503* |
| *Payments receivable after 1 year but within 5 years* | *3,496* | *3,121* |
| *Payments receivable beyond 5 years* | *48* | *52* |

Future minimum lease payments receivable under non-cancellable leases are payments that the lessee is required to make during the lease term.

### Intangible assets

Other intangible assets include leasehold rights, goodwill and trademarks acquired by the Group.

### Depreciation, amortisation and impairment

Net depreciation and amortisation expense for the year ended 31 December 2017 was EUR 1,711 million, compared with EUR 1,713 million for the year ended 31 December 2016.

The net increase in impairment on property, plant, equipment and intangible assets taken to the profit and loss account in the year ended 31 December 2017 amounted to EUR 8 million, compared with a decrease of EUR 16 million for the year ended 31 December 2016.



## 4.o GOODWILL

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **CARRYING AMOUNT AT START OF PERIOD** | **10,216** | **10,316** |
| Acquisitions | 292 | 55 |
| Divestments | (15) | (67) |
| Impairment recognised during the period | (208) | (182) |
| Exchange rate adjustments | (714) | 91 |
| Other movements | - | 3 |
| **CARRYING AMOUNT AT END OF PERIOD** | **9,571** | **10,216** |
| Gross value | 12,560 | 13,012 |
| Accumulated impairment recognised at the end of period | (2,989) | (2,796) |

Goodwill by cash-generating unit is as follows:

| *In millions of euros* | Carrying amount | | Impairment recognised during the period | | Acquisitions during the period | |
|---|---|---|---|---|---|---|
| | 31 Dec. 2017 | 31 Dec. 2016 | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
| **Retail Banking & Services** | **8,472** | **9,070** | **(208)** | **(182)** | **292** | **55** |
| **Domestic Markets** | **1,415** | **1,269** | **-** | **-** | **160** | **55** |
| Arval | 503 | 509 | | | | (38) |
| Leasing Solutions | 135 | 136 | | | | |
| New Digital Businesses | 159 | | | | 159 | |
| Personal Investors | 612 | 618 | | | 1 | 93 |
| Others | 6 | 6 | | | | |
| **International Financial Services** | **7,057** | **7,801** | **(208)** | **(182)** | **132** | **-** |
| Asset Management | 167 | 177 | | | | |
| Insurance | 352 | 296 | | | 57 | |
| BancWest | 4,147 | 4,728 | | | | |
| Bank BGŻ BNP Paribas | | | | (127) | | |
| Personal Finance | 1,329 | 1,342 | | | 36 | |
| Personal Finance – partnership tested individually | 348 | 384 | (36) | (54) | | |
| Real Estate | 406 | 370 | | (1) | 39 | |
| Turk Ekonomi Bankasi | | 191 | (172) | | | |
| Wealth Management | 272 | 276 | | | | |
| Others | 36 | 37 | | | | |
| **Corporate & Institutional Banking** | **1,096** | **1,143** | **-** | **-** | **-** | **-** |
| Corporate Banking | 274 | 280 | | | | |
| Global Markets | 407 | 438 | | | | |
| Securities Services | 415 | 425 | | | | |
| **Other Activities** | **3** | **3** | | | | |
| **TOTAL GOODWILL** | **9,571** | **10,216** | **(208)** | **(182)** | **292** | **55** |
| Negative goodwill | | | 7 | | | |
| **CHANGE IN VALUE OF GOODWILL RECOGNISED IN THE PROFIT AND LOSS ACCOUNT** | | | **(201)** | **(182)** | | |

The homogeneous groups of businesses to which goodwill is allocated are:

- **Arval:** Specialist in vehicle long-term leasing, Arval offers corporates (from multinational companies to small business clients) tailored solutions that optimise their employees' mobility and outsource the risks associated with fleet management. Recently, clientele was expanded to include individuals.
- **Leasing Solutions:** BNP Paribas Leasing Solutions uses a multi-channel partnership approach (sales *via* referrals, partnerships, direct sales and banking networks) to offer corporate and small business clients an array of leasing and rental solutions, ranging from equipment financing to fleet outsourcing.
- **New digital businesses:** they include in particular the account management service "Compte-Nickel", open to all, without any conditions regarding income, deposits or personal wealth, and without any overdraft or credit facility. This service, which operates in real time using the latest technology, is available through over 2,900 tobacconists.
- **Personal Investors:** BNP Paribas Personal Investors is a digital specialist of banking and investment services. Mainly based in Germany, Austria, Spain and India, it provides a wide range of banking, savings and long and short term investment services to individual clients via the internet, and also on the phone and face-to-face. In addition to its activities destined to private clients, Personal Investors offers its services and IT platform to independent financial consultants, asset managers and FinTechs.

- **Asset Management:** BNP Paribas Asset Management is the dedicated asset management business line of the BNP Paribas Group and offers services to individual investors (through internal distributors – BNP Paribas private and retail banking – and external distributors), to corporates and to institutional investors (insurance companies, retirement funds, official institutions, consultants). Its aim is to offer an added value based on a broad range of expertise throughout its active management of equities and bonds, its activity of private debt and real assets management and its multi-asset, quantitative and solutions division.
- **Insurance:** BNP Paribas Cardif, a world leader in personal insurance, has designed, developed and marketed savings and protection products and services to protect individuals, their projects and their assets.

  BNP Paribas Cardif has developed new forms of insurance and extended its offer of protection to health insurance, budget insurance, revenue and means of payment insurance, unexpected event protection (unemployment, accident, death, theft or breakage) or the protection of private digital data to meet the evolution of customers' needs.

  In 2017, BNP Paribas Cardif and State Bank of India launched an Initial Public Offer on their joint venture, SBI Life, selling 4% of this life insurer in India. Following the offer, BNP Paribas Cardif holds a 22% interest in SBI Life.
- **BancWest:** In the United States, the Retail Banking business is conducted through Bank of the West and First Hawaiian Bank. Bank of the West markets a very broad range of retail banking products and services to individuals, small businesses and corporate clients, through branches and offices in 20 States in western and mid-western America. It also has strong positions across the USA in several specialized lending activities, such as marine, recreational vehicles, church lending and agribusiness, and develops its commercial set up particularly in Corporate Banking, Wealth Management and Small and Medium Enterprise businesses. First Hawaiian Bank is Hawaii's leading bank, offering banking services to a local clientele of private individuals and local and international corporates. In 2016, the Group launched an Initial Public Offer on First Hawaiian Inc and holds as at 31 December 2017 61.94% of its capital.
- **Bank BGZ BNP Paribas:** Bank BGZ is a universal commercial bank, one of the leading banks in Poland. Its merger in 2015 with BNP Paribas Bank Polska SA led to the creation of Bank BGZ BNP Paribas. The integration of these two entities continued in 2017 and the number of agencies in Poland reached 486 at the end of 2017.
- **Personal Finance:** BNP Paribas Personal Finance is the Group's consumer credit specialist. Through its brands such as Cetelem, Cofinoga, Findomestic or AlphaCredit, Personal Finance provides a full range of consumer loans at point of sale (retail stores and car dealerships) or through its customer relation centres and online. The consumer credit business also operates within the Group's Retail Banking network in some countries, through the "PF Inside" set-up. Personal Finance offers insurance products tailored to local needs and practices in each of the countries where it operates. In Germany, Bulgaria, France, Hungary and Italy, the lending and insurance offer of Personal Finance has been complemented by savings products.

  In 2017, BNP Paribas Personal Finance and Banque PSA Finance (PSA group) acquired the automotive finance activity of General Motors in Europe (Opel Vauxhall) and, as part of its strategy to expand to the Scandinavian countries, BNP Paribas Personal Finance acquired 100% of SevenDay Finans AB, consumer credit specialist in Sweden.
- **Real Estate:** BNP Paribas Real Estate serves the needs of its clients, whether institutional investors, corporates, public entities or individuals, at all stages of the life cycle of their property (from the conception of a construction project to its daily management).

  In 2017, BNP Paribas Real Estate reinforced its transaction activity with the acquisition of Strutt&Parker, one of UK's largest independent property actors.
- **Turk Ekonomi Bankasi:** Present mostly in Turkey, Turk Ekonomi Bankasi offers its customers (Retail, Corporate and SME) a wide array of financial products and services, including Retail and Private Banking, treasury and capital markets services, and financing.
- **Wealth Management:** Wealth Management encompasses the private banking activities of BNP Paribas and serves a clientele of wealthy individuals, shareholder families and entrepreneurs seeking a one-stop shop for all their wealth management and financial needs.
- **Corporate Banking:** Corporate Banking combines financing solutions to corporates, all transaction banking products, corporate finance advisory services in mergers and acquisitions and primary equity activities.
- **Global Markets:** Global Markets provides investment, hedging, financing and research services across asset classes, to corporate and institutional clients – as well as private and retail banking networks. The sustainable, long-term business model of Global Markets connects clients to capital markets throughout EMEA (Europe, Middle East & Africa), Asia Pacific and the Americas, with innovative solutions and digital platforms. Global Markets includes activities of Fixed Income, Currencies & Commodities and Equity & Prime Services.
- **Securities Services:** BNP Paribas Securities Services is one of the major global players in securities services and provides integrated solutions for all actors involved in the investment cycle, sell side, buy side and issuers.

Goodwill impairment tests are based on three different methods: observation of transactions related to comparable businesses, share price data for listed companies with comparable businesses, and discounted future cash flows (DCF).

If one of the two comparables-based methods indicates the need for impairment, the DCF method is used to validate the results and determine the amount of impairment required.

The DCF method is based on a number of assumptions in terms of future revenues, expenses and cost of risk (cash flows) based on medium-term business plans over a period of five years. Cash flow projections beyond the 5-year forecast period are based on a growth rate to perpetuity and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle.

The key parameters which are sensitive to the assumptions made are the cost of capital, the cost/income ratio, the cost of risk and the growth rate to perpetuity.

Cost of capital is determined on the basis of a risk-free rate, an observed market risk premium weighted by a risk factor based on comparables specific to each homogeneous group of businesses. The values of these parameters are obtained from external information sources.

Allocated capital is determined for each homogeneous group of businesses based on the "Common Equity Tier One" regulatory requirements for the legal entity to which the homogeneous group of businesses belongs, with a minimum of 7%.

The growth rate to perpetuity used is 2% for mature economies. For CGUs implemented in countries with high levels of inflation, a specific add-on is taken into account (calculated according to inflation rates disclosed by external sources).

The following table shows the sensitivity of cash generating unit valuations to changes in the value of parameters used in the DCF calculation: the cost of capital, the cost/income ratio in terminal value, the cost of risk in terminal value and the growth rate to perpetuity.

In consideration of additional banking levies in Poland and the increase in regulatory capital requirements for BGZ, the allocated goodwill has been impaired in its entirety in 2016 (EUR 127 million).

In 2017, the downward revision in growth prospects of Turk Ekonomi Bankasi led to fully impair the TEB goodwill (EUR 172 million).



### ➤ SENSITIVITY OF THE MAIN GOODWILL VALUATIONS TO A 10-BASIS POINT CHANGE IN THE COST OF CAPITAL, A 1% CHANGE IN THE COST/INCOME RATIO IN TERMINAL VALUE, A 5% CHANGE OF THE COST OF RISK IN TERMINAL VALUE AND A 50-BASIS POINT CHANGE IN THE GROWTH RATE TO PERPETUITY

| *In millions of euros* | BancWest | Personal Finance |
|---|---|---|
| **Cost of capital** | **8.5%** | **9.6%** |
| Adverse change (+10 basis points) | (188) | (220) |
| Positive change (-10 basis points) | 194 | 226 |
| **Cost/income ratio** | **56.7%** | **45.5%** |
| Adverse change (+1%) | (288) | (415) |
| Positive change (-1%) | 288 | 415 |
| **Cost of risk** | **(250)** | **(1,764)** |
| Adverse change (+5%) | (267) | (218) |
| Positive change (-5%) | 267 | 218 |
| **Growth rate to perpetuity** | **2.0%** | **2.0%** |
| Adverse change (-50 basis points) | (388) | (550) |
| Positive change (+50 basis points) | 453 | 628 |

For the BancWest and Personal Finance homogeneous groups of businesses, there would be no grounds for goodwill impairment even if the four most adverse scenarios contained in the table were applied to the impairment test.

## 4.p TECHNICAL RESERVES OF INSURANCE COMPANIES

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Liabilities related to insurance contracts** | **150,650** | **141,368** |
| Gross technical reserves | | |
| Unit-linked contracts | 59,712 | 52,314 |
| Other insurance contracts | 90,938 | 89,054 |
| **Liabilities related to financial contracts with discretionary participation feature** | **35,838** | **34,719** |
| **Policyholders' surplus reserve – liability** | **16,948** | **17,539** |
| **TOTAL TECHNICAL RESERVES OF INSURANCE COMPANIES** | **203,436** | **193,626** |
| Liabilities related to unit-linked financial contracts[(1)] | 3,534 | 3,624 |
| **TOTAL LIABILITIES RELATED TO CONTRACTS WRITTEN BY INSURANCE COMPANIES** | **206,970** | **197,250** |

*(1) Liabilities related to unit-linked financial contracts are included in "Due to customers" (note 4.g).*



The policyholders' surplus reserve arises from the application of shadow accounting. It represents the interest of policyholders within French and Italian life insurance subsidiaries in unrealised gains and losses and impairment losses on assets where the benefit paid under the policy is linked to the return on those assets. It is obtained from stochastic calculations modelling the unrealised gains and losses attributable to policyholders based on economic scenarios and assumptions as regards rates paid to customers and new business inflows. For France, this resulted in an interest of 90% in 2017, unchanged from 2016.

The movement in liabilities related to insurance contracts breaks down as follows:

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **LIABILITIES RELATED TO INSURANCE CONTRACTS AT START OF PERIOD** | **197,250** | **187,302** |
| Additions to insurance contract technical reserves and deposits taken on financial contracts related to life insurance | 23,219 | 23,098 |
| Claims and benefits paid | (16,830) | (14,694) |
| Effect of changes in value of admissible investments related to unit-linked business | 3,393 | 979 |
| Effect of movements in exchange rates | (566) | 474 |
| Effect of changes in the scope of consolidation | 504 | 91 |
| **LIABILITIES RELATED TO INSURANCE CONTRACTS AT END OF PERIOD** | **206,970** | **197,250** |

See note 4.l for details of reinsurers' share of technical reserves.

## 4.q PROVISIONS FOR CONTINGENCIES AND CHARGES

### ➤ PROVISIONS FOR CONTINGENCIES AND CHARGES BY TYPE

| *In millions of euros* | 31 Dec. 2016 | Net additions to provisions | Provisions used | Changes in value recognised directly in equity | Effect of movements in exchange rates and other movements | 31 Dec. 2017 |
|---|---|---|---|---|---|---|
| **Provisions for employee benefits** | **7,189** | **845** | **(1,007)** | **16** | **(303)** | **6,740** |
| of which post-employment benefits *(note 6.b)* | 4,590 | 187 | (240) | 23 | (221) | 4,339 |
| of which post-employment healthcare benefits *(note 6.b)* | 155 | 2 | (2) | (7) | (5) | 143 |
| of which provision for other long-term benefits *(note 6.c)* | 1,267 | 236 | (278) | | (55) | 1,170 |
| of which provision for voluntary departure, early retirement plans, and headcount adaptation plan *(note 6.d)* | 495 | (7) | (89) | | (10) | 389 |
| of which provision for share-based payments *(note 6.e)* | 682 | 427 | (398) | | (12) | 699 |
| **Provisions for home savings accounts and plans** | **174** | **(18)** | **-** | | **-** | **156** |
| **Provisions for credit commitments *(note 2.g)*** | **998** | **-** | **(47)** | | **(45)** | **906** |
| **Provisions for litigations** | **1,635** | **656** | **(381)** | | **(53)** | **1,857** |
| **Other provisions for contingencies and charges(1)** | **1,805** | **470** | **(875)** | | **2** | **1,402** |
| **TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES** | **11,801** | **1,953** | **(2,310)** | **16** | **(399)** | **11,061** |

*(1) Other provisions for contingencies and charges include maintenance services related to operating leases, which amounted to EUR 655 million as at 31 December 2017 compared with EUR 632 million as at 31 December 2016, recognised in Net income from other activities (note 2.e).*

### ➤ PROVISIONS AND DISCOUNT FOR HOME SAVINGS ACCOUNTS AND PLANS

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Deposits collected under home savings accounts and plans** | **18,137** | **17,938** |
| of which deposits collected under home savings plans | 15,934 | 15,663 |
| *Aged more than 10 years* | *3,914* | *3,230* |
| *Aged between 4 and 10 years* | *6,234* | *5,645* |
| *Aged less than 4 years* | *5,786* | *6,788* |
| **Outstanding loans granted under home savings accounts and plans** | **76** | **112** |
| of which loans granted under home savings plans | 13 | 19 |
| **Provisions and discount recognised for home savings accounts and plans** | **157** | **176** |
| provisions recognised for home savings plans | 154 | 172 |
| provisions recognised for home savings accounts | 2 | 2 |
| discount recognised for home savings accounts and plans | 1 | 2 |

## 4.r OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following tables present the amounts of financial assets and liabilities before and after offsetting. This information, required by IFRS 7, aims to enable the comparability with the accounting treatment applicable in accordance with generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IAS 32 as regards offsetting.

"Amounts set off on the balance sheet" have been determined according to IAS 32. Thus, a financial asset and a financial liability are offset and the net amount presented on the balance sheet when, and only when, the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Amounts set off derive mainly from repurchase agreements and derivative instruments traded with clearing houses.

The "impacts of master netting agreements and similar agreements" are relative to outstanding amounts of transactions within an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case of transactions for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the contracting parties.

"Financial instruments given or received as collateral" include guarantee deposits and securities collateral recognised at fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one of the contracting parties.

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.

| *In millions of euros, at 31 December 2017* | Gross amounts of financial assets | Gross amounts set off on the balance sheet | Net amounts presented on the balance sheet | Impact of Master Netting Agreements (MNA) and similar agreements | Financial instruments received as collateral | Net amounts |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Financial instruments at fair value through profit or loss | | | | | | |
| Trading securities | 119,452 | | 119,452 | | | 119,452 |
| Loans | 1,840 | | 1,840 | | | 1,840 |
| Repurchase agreements | 272,885 | (131,167) | 141,718 | (29,448) | (107,743) | 4,527 |
| Instruments designated as at fair value through profit or loss | 96,946 | (14) | 96,932 | | | 96,932 |
| Derivative financial instruments (including derivatives used for hedging purposes) | 332,966 | (88,980) | 243,986 | (176,988) | (27,154) | 39,844 |
| Loans and receivables due from customers and credit institutions | 774,539 | (1,194) | 773,345 | (492) | (1,801) | 771,052 |
| *of which repurchase agreements* | *2,368* | | *2,368* | *(492)* | *(1,801)* | *75* |
| Accrued income and other assets | 107,611 | (400) | 107,211 | | (31,872) | 75,339 |
| *of which guarantee deposits paid* | *57,265* | | *57,265* | | *(31,872)* | *25,393* |
| Other assets not subject to offsetting | 475,768 | | 475,768 | | | 475,768 |
| **TOTAL ASSETS** | **2,182,007** | **(221,755)** | **1,960,252** | **(206,928)** | **(168,570)** | **1,584,754** |

| *In millions of euros, at 31 December 2017* | Gross amounts of financial liabilities | Gross amounts set off on the balance sheet | Net amounts presented on the balance sheet | Impact of Master Netting Agreements (MNA) and similar agreements | Financial instruments given as collateral | Net amounts |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Financial instruments at fair value through profit or loss | | | | | | |
| Trading securities | 69,313 | | 69,313 | | | 69,313 |
| Borrowings | 4,499 | | 4,499 | | | 4,499 |
| Repurchase agreements | 298,815 | (131,167) | 167,648 | (28,875) | (132,188) | 6,585 |
| Instruments designated as at fair value through profit or loss | 53,455 | (14) | 53,441 | | | 53,441 |
| Derivative financial instruments (including derivatives used for hedging purposes) | 332,681 | (88,980) | 243,701 | (176,988) | (34,050) | 32,663 |
| Due to customers and to credit institutions | 844,587 | (1,194) | 843,393 | (1,065) | (4,872) | 837,456 |
| *of which repurchase agreements* | *6,182* | | *6,182* | *(1,065)* | *(4,872)* | *245* |
| Accrued expense and other liabilities | 86,535 | (400) | 86,135 | | (24,278) | 61,857 |
| *of which guarantee deposits received* | *40,612* | | *40,612* | | *(24,278)* | *16,334* |
| Other liabilities not subject to offsetting | 384,913 | | 384,913 | | | 384,913 |
| **TOTAL LIABILITIES** | **2,074,798** | **(221,755)** | **1,853,043** | **(206,928)** | **(195,388)** | **1,450,727** |

| *In millions of euros, at 31 December 2016* | Gross amounts of financial assets | Gross amounts set off on the balance sheet | Net amounts presented on the balance sheet | Impact of Master Netting Agreements (MNA) and similar agreements | Financial instruments received as collateral | Net amounts |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Financial instruments at fair value through profit or loss | | | | | | |
| Trading securities | 123,679 | | 123,679 | | | 123,679 |
| Loans | 525 | | 525 | | | 525 |
| Repurchase agreements | 274,012 | (122,295) | 151,717 | (26,537) | (121,424) | 3,756 |
| Instruments designated as at fair value through profit or loss | 87,734 | (90) | 87,644 | | | 87,644 |
| Derivative financial instruments (including derivatives used for hedging purposes) | 481,412 | (135,117) | 346,295 | (267,679) | (35,163) | 43,453 |
| Loans and receivables due from customers and credit institutions | 760,831 | (1,187) | 759,644 | (900) | (4,118) | 754,626 |
| *of which repurchase agreements* | *5,145* | | *5,145* | *(900)* | *(4,118)* | *127* |
| Accrued income and other assets | 117,254 | (1,287) | 115,967 | | (33,090) | 82,877 |
| *of which guarantee deposits paid* | *66,722* | | *66,722* | | *(33,090)* | *33,632* |
| Other assets not subject to offsetting | 491,488 | | 491,488 | | | 491,488 |
| **TOTAL ASSETS** | **2,336,935** | **(259,976)** | **2,076,959** | **(295,116)** | **(193,795)** | **1,588,048** |

| *In millions of euros, at 31 December 2016* | Gross amounts of financial liabilities | Gross amounts set off on the balance sheet | Net amounts presented on the balance sheet | Impact of Master Netting Agreements (MNA) and similar agreements | Financial instruments given as collateral | Net amounts |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Financial instruments at fair value through profit or loss | | | | | | |
| Trading securities | 70,326 | | 70,326 | | | 70,326 |
| Borrowings | 4,190 | | 4,190 | | | 4,190 |
| Repurchase agreements | 301,311 | (122,295) | 179,016 | (26,397) | (150,329) | 2,290 |
| Instruments designated as at fair value through profit or loss | 54,166 | (90) | 54,076 | | | 54,076 |
| Derivative financial instruments (including derivatives used for hedging purposes) | 473,483 | (135,117) | 338,366 | (267,679) | (35,230) | 35,457 |
| Due to customers and to credit institutions | 842,800 | (1,187) | 841,613 | (1,040) | (5,924) | 834,649 |
| *of which repurchase agreements* | *7,054* | | *7,054* | *(1,040)* | *(5,924)* | *90* |
| Accrued expense and other liabilities | 100,694 | (1,287) | 99,407 | | (30,918) | 68,489 |
| *of which guarantee deposits received* | *54,249* | | *54,249* | | *(30,918)* | *23,331* |
| Other liabilities not subject to offsetting | 384,745 | | 384,745 | | | 384,745 |
| **TOTAL LIABILITIES** | **2,231,715** | **(259,976)** | **1,971,739** | **(295,116)** | **(222,401)** | **1,454,222** |

## 4.s TRANSFERS OF FINANCIAL ASSETS

Financial assets that have been transferred but not derecognised by the Group are mainly composed of securities sold temporarily under repurchase agreements or securities lending transactions, as well as securitised assets. The liabilities associated to securities temporarily sold under repurchase agreements consist of debts recognised under the "repurchase agreements" heading. The liabilities associated to securitised assets consist of the securitisation notes purchased by third parties.

### ➤ SECURITIES LENDING, REPURCHASE AGREEMENTS AND OTHER TRANSACTIONS:

| *In millions of euros, of* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Carrying amount of transferred assets | Carrying amount of associated liabilities | Carrying amount of transferred assets | Carrying amount of associated liabilities |
| **Securities lending operations** | | | | |
| Securities at fair value through profit or loss | 4,737 | | 2,800 | |
| Available-for-sale financial assets | 872 | | 5,546 | |
| **Repurchase agreements** | | | | |
| Securities at fair value through profit or loss | 24,271 | 23,545 | 39,642 | 38,121 |
| Securities classified as loans and receivables | 9 | 9 | 356 | 314 |
| Available-for-sale financial assets | 12,077 | 12,072 | 8,967 | 8,960 |
| **Other transactions** | | | | |
| Securities at fair value through profit or loss | - | - | 195 | 195 |
| **TOTAL** | **41,966** | **35,626** | **57,506** | **47,590** |

### ➤ SECURITISATION TRANSACTIONS PARTIALLY REFINANCED BY EXTERNAL INVESTORS, WHOSE RECOURSE IS LIMITED TO THE TRANSFERRED ASSETS

| *In millions of euros, at 31 December 2017* | Carrying amount of transferred assets | Carrying amount of associated liabilities | Fair value of transferred assets | Fair value of associated liabilities | Net position |
|---|---|---|---|---|---|
| **Securitisation** | | | | | |
| Loans and receivables | 16,532 | 15,773 | 16,982 | 15,852 | 1,130 |
| Available-for-sale financial assets | 273 | 176 | 273 | 172 | 101 |
| **TOTAL** | **16,805** | **15,949** | **17,255** | **16,024** | **1,231** |

| *In millions of euros, at 31 December 2016* | Carrying amount of transferred assets | Carrying amount of associated liabilities | Fair value of transferred assets | Fair value of associated liabilities | Net position |
|---|---|---|---|---|---|
| **Securitisation** | | | | | |
| Loans and receivables | 15,002 | 13,596 | 15,477 | 13,617 | 1,860 |
| Available-for-sale financial assets | 277 | 131 | 279 | 127 | 152 |
| **TOTAL** | **15,279** | **13,727** | **15,756** | **13,744** | **2,012** |

There have been no significant transfers leading to partial or full derecognition of the financial assets where the Bank has a continuing involvement in them.

# Note 5. FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

## 5.a FINANCING COMMITMENTS GIVEN OR RECEIVED

Contractual value of financing commitments given and received by the Group:

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Financing commitments given** | | |
| **to credit institutions** | **3,296** | **3,833** |
| **to customers** | **284,277** | **283,326** |
| Confirmed financing commitments | 220,654 | 219,320 |
| Other commitments given to customers | 63,623 | 64,006 |
| **TOTAL FINANCING COMMITMENTS GIVEN** | **287,573** | **287,159** |
| **Financing commitments received** | | |
| **from credit institutions** | **71,185** | **106,964** |
| **from customers** | **1,785** | **2,145** |
| **TOTAL FINANCING COMMITMENTS RECEIVED** | **72,970** | **109,109** |



## 5.b GUARANTEE COMMITMENTS GIVEN BY SIGNATURE

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Guarantee commitments given** | | |
| **to credit institutions** | **14,789** | **11,696** |
| **to customers** | **126,971** | **117,281** |
| Property guarantees | 1,968 | 1,392 |
| Sureties provided to tax and other authorities, other sureties | 48,552 | 46,661 |
| Other guarantees | 76,451 | 69,228 |
| **TOTAL GUARANTEE COMMITMENTS GIVEN** | **141,760** | **128,977** |

## 5.c OTHER GUARANTEE COMMITMENTS

### ➤ FINANCIAL INSTRUMENTS GIVEN AS COLLATERAL

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Financial instruments (negotiable securities and private receivables) lodged with central banks and eligible for use at any time as collateral for refinancing transactions after haircut** | **102,906** | **121,349** |
| Used as collateral with central banks | 35,457 | 22,529 |
| Available for refinancing transactions | 67,449 | 98,820 |
| **Securities sold under repurchase agreements** | **301,764** | **322,308** |
| **Other financial assets pledged as collateral for transactions with credit institutions, financial customers or subscribers of covered bonds issued by the Group**[(1)] | **147,072** | **141,674** |

*(1) Notably including "Société de Financement de l'Économie Française" and "Caisse de Refinancement de l'Habitat" financing.*

The fair value of financial instruments given as collateral or transferred under repurchase agreements by the Group that the beneficiary is authorised to sell or reuse as collateral amounted to EUR 408,380 million at 31 December 2017 (EUR 428,421 million at 31 December 2016).

### ➤ FINANCIAL INSTRUMENTS RECEIVED AS COLLATERAL

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Financial instruments received as collateral (excluding repurchase agreements) | 128,830 | 114,550 |
| *of which instruments that the Group is authorised to sell and reuse as collateral* | *102,543* | *90,959* |
| Securities received under repurchase agreements | 286,418 | 288,087 |

The fair value of financial instruments received as collateral or under repurchase agreements that the Group effectively sold or reused as collateral amounted to EUR 272,788 million at 31 December 2017 (compared with EUR 245,149 million at 31 December 2016).

# Note 6. SALARIES AND EMPLOYEE BENEFITS

## 6.a SALARY AND EMPLOYEE BENEFIT EXPENSE

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Fixed and variable remuneration, incentive bonuses and profit-sharing | 12,402 | 12,067 |
| Employee benefit expense | 3,542 | 3,787 |
| Payroll taxes | 552 | 548 |
| **TOTAL SALARY AND EMPLOYEE BENEFIT EXPENSE** | **16,496** | **16,402** |



## 6.b POST-EMPLOYMENT BENEFITS

IAS 19 distinguishes between two categories of plans, each handled differently depending on the risk incurred by the entity. When the entity is committed to paying a fixed amount, stated as a percentage of the beneficiary's annual salary, for example, to an external entity handling payment of the benefits based on the assets available for each plan member, it is described as a defined-contribution plan. Conversely, when the entity's obligation is to manage the financial assets funded through the collection of contributions from employees and to bear the cost of benefits itself or to guarantee the final amount subject to future events, it is described as a defined-benefit plan. The same applies, if the entity entrusts management of the collection of premiums and payment of benefits to a separate entity, but retains the risk arising from management of the assets and/or from future changes in the benefits.

### Defined-contribution pension plans for Group entities

The BNP Paribas Group has implemented over the past few years a wide campaign of converting defined-benefit plans into defined-contribution plans.

Thus, in France, the BNP Paribas Group pays contributions to various nationwide basic and top-up pension schemes. BNP Paribas SA and certain subsidiaries have set up a funded pension plan under a company-wide agreement. Under this plan, employees will receive an annuity on retirement in addition to the pension paid by nationwide schemes.

Since defined-benefit plans have been closed to new employees in most countries outside France, they are offered the benefit of joining defined-contribution pension plans.

The amount paid into defined-contribution post-employment plans for the year to 31 December 2017 was EUR 616 million, compared with EUR 604 million for the year to 31 December 2016.

The breakdown by major contributors is determined as follows:

| **Contribution amount**<br>*In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| France | 315 | 306 |
| Italy | 60 | 62 |
| UK | 48 | 51 |
| USA | 45 | 43 |
| Turkey | 38 | 43 |
| Others | 110 | 99 |
| **TOTAL** | **616** | **604** |

In Italy, the plan introduced by BNL is funded by employer contributions (4% of salaries) and employee contributions (2% of salaries). Employees can also make additional voluntary contributions.

In the United Kingdom, the employer contributes 12% of salaries for the majority of employees; employees can make additional voluntary contributions.

In the US, the bank matches the voluntary contributions made by employees, within certain limits.

## Main defined-benefit pension plans for Group entities, of which indemnities payable on retirement

### Defined-benefit plans

In Belgium, BNP Paribas Fortis funds a defined-benefit plan, based on final salary and number of years of service, for its management and employees who joined the bank before its pension plans were harmonised on 1 January 2002. Actuarial liabilities under this scheme are pre-funded at 90% at 31 December 2017 (compared with 94% at 31 December 2016) through AG Insurance, in which the BNP Paribas Group owns a 25% equity interest.

BNP Paribas Fortis senior managers are covered by a top-up pension plan, paying a lump sum based on the number of years of service and final salary. This plan is pre-funded at 97% as at 31 December 2017 (83% at 31 December 2016) through AXA Belgium and AG Insurance. Since 1 January 2015, senior managers benefit from a defined-contribution scheme.

The other employees benefit as well from the defined-contribution scheme.

Since there is a legal obligation for the employer to guarantee a minimum return on financial assets invested under defined-benefit pension plans, a provision was recognised for these defined-contribution schemes, as this guarantee is not entirely covered by the insurance company.

In France, BNP Paribas pays a top-up banking industry pension arising from rights acquired to 31 December 1993 by retired employees and active employees in service at that date. At 31 December 2017, the Group's residual obligations for employees of BNP origin were recognised on the balance sheet in full.

The defined-benefit plans previously granted to Group executives formerly employed by BNP, Paribas or Compagnie Bancaire have all been closed to new employees and converted into top-up type schemes. The amounts allocated to residual beneficiaries, subject to their presence within the Group at retirement, were fixed when these schemes were closed. At 31 December 2017, 118% of these pension plans were funded through insurance companies (96% at 31 December 2016).

In the United Kingdom, defined-benefit pension plans (pension funds) still exist but are closed to new employees. Under these plans, the defined pension is generally based on final salary and number of years of service. Pension schemes are managed by independent management bodies (Trustees). At 31 December 2017, obligations for all UK entities were 107% covered by financial assets, unchanged from 31 December 2016.

In Switzerland, liabilities relate to top-up pension plans based on the principle of defined-contribution schemes with guaranteed returns, paying an annuity under pre-defined terms. These schemes are managed by a foundation. At the end of 2017, obligations were 90% covered by financial assets, compared with 85% at the end of 2016.

In the United States, defined-benefit pension plans are based on annual vesting rights to a lump sum comprising a pension expressed as a percentage of annual salary and paying interest at a pre-defined rate. These plans are closed to new entrants and have offered almost no new vesting rights since 2012. At 31 December 2017, the obligation was 71% covered by financial assets, (66% at 31 December 2016).

In Turkey, the pension plan replaces the national pension scheme (these obligations are measured based on the terms of the eventual transfer to the Turkish State) and offers guarantees exceeding the minimal legal requirements. At the end of 2017, obligations under this plan are fully funded by financial assets held with an external foundation; these financial assets exceed the related obligations, but this surplus is not recognised as an asset by the Group.

### Other post-employment benefits

Group employees also receive various other contractual post-employment benefits, such as indemnities payable on retirement, determined according to minimal legal requirements (Labour Code, collective agreements) or according to specific company-level agreements.

In France, the obligations for these benefits are funded through a contract held with a third-party insurer. At 31 December 2017, this obligation was 98% covered by financial assets, compared with 92% at 31 December 2016.

In other countries, the gross obligations of the Group related to these benefits are mainly concentrated in Italy. They are representative of rights vested up to 31 December 2006, when pension reforms changed Italian termination indemnity schemes into defined-contribution plans.

## Obligations under defined-benefit plans and other post-employment benefits

### ASSETS AND LIABILITIES RECOGNISED ON THE BALANCE SHEET

| *In millions of euros, at 31 December 2017* | *Defined-benefit obligation arising from wholly or partially funded plans* | *Defined-benefit obligation arising from unfunded plans* | **Present value of defined-benefit obligation** | **Fair value of plan assets** | **Fair value of reimbursement rights**(1) | **Effect of asset ceiling** | **Net obligation** | ***of which asset recognised in the balance sheet for defined-benefit plans*** | *of which net assets of defined-benefit plans* | *of which fair value of reimbursement rights* | ***of which obligation recognised in the balance sheet for defined-benefit plans*** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | *3,182* | *21* | 3,203 | (70) | (2,930) | | 203 | (2,930) | | *(2,930)* | 3,133 |
| UK | *1,681* | *1* | 1,682 | (1,802) | | | (120) | (130) | *(130)* | | 10 |
| France | *1,225* | *117* | 1,342 | (1,223) | | | 119 | (50) | *(50)* | | 169 |
| Switzerland | *1,059* | *10* | 1,069 | (951) | | | 118 | | | | 118 |
| USA | *634* | *179* | 813 | (575) | | | 238 | (6) | *(6)* | | 244 |
| Italy | | *368* | 368 | | | | 368 | | | | 368 |
| Turkey | *270* | *27* | 297 | (422) | | 152 | 27 | | | | 27 |
| Others | *603* | *194* | 797 | (531) | (1) | | 265 | (5) | *(4)* | *(1)* | 270 |
| **TOTAL** | ***8,654*** | ***917*** | **9,571** | **(5,574)** | **(2,931)** | **152** | **1,218** | **(3,121)** | ***(190)*** | ***(2,931)*** | **4,339** |

| *In millions of euros, at 31 December 2016* | *Defined-benefit obligation arising from wholly or partially funded plans* | *Defined-benefit obligation arising from unfunded plans* | **Present value of defined-benefit obligation** | **Fair value of plan assets** | **Fair value of reimbursement rights**(1) | **Effect of asset ceiling** | **Net obligation** | ***of which asset recognised in the balance sheet for defined-benefit plans*** | *of which net assets of defined-benefit plans* | *of which fair value of reimbursement rights* | ***of which obligation recognised in the balance sheet for defined-benefit plans*** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | *3,125* | *19* | 3,144 | (52) | (2,877) | | 215 | (2,877) | | *(2,877)* | 3,092 |
| UK | *1,678* | *1* | 1,679 | (1,797) | | | (118) | (133) | *(133)* | | 15 |
| France | *1,327* | *125* | 1,452 | (1,227) | | | 225 | | | | 225 |
| Switzerland | *1,143* | *12* | 1,155 | (972) | | | 183 | | | | 183 |
| USA | *704* | *203* | 907 | (589) | | | 318 | (4) | *(4)* | | 322 |
| Italy | | *387* | 387 | | | | 387 | | | | 387 |
| Turkey | *270* | *35* | 305 | (460) | | 190 | 35 | | | | 35 |
| Others | *604* | *198* | 802 | (475) | (49) | | 278 | (53) | *(4)* | *(49)* | 331 |
| **TOTAL** | ***8,851*** | ***980*** | **9,831** | **(5,572)** | **(2,926)** | **190** | **1,523** | **(3,067)** | ***(141)*** | ***(2,926)*** | **4,590** |

*(1) The reimbursement rights are principally found on the balance sheet of the Group's insurance subsidiaries and associated companies – notably AG Insurance with respect to BNP Paribas Fortis' defined-benefit plan – to hedge their commitments to other Group entities that were transferred to them to cover the post-employment benefits of certain employee categories.*

## ➤ CHANGE IN THE PRESENT VALUE OF THE DEFINED-BENEFIT OBLIGATION

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **PRESENT VALUE OF DEFINED-BENEFIT OBLIGATION AT START OF PERIOD** | **9,831** | **9,521** |
| Current service cost | 257 | 270 |
| Interest cost | 147 | 201 |
| Past service cost | (1) | (36) |
| Settlements | (7) | (65) |
| Actuarial (gains)/losses on change in demographic assumptions | (58) | 7 |
| Actuarial (gains)/losses on change in financial assumptions | 210 | 734 |
| Actuarial (gains)/losses on experience gaps | 51 | (86) |
| Actual employee contributions | 24 | 24 |
| Benefits paid directly by the employer | (106) | (112) |
| Benefits paid from assets/reimbursement rights | (479) | (441) |
| Exchange rate (gains)/losses on obligation | (352) | (229) |
| (Gains)/losses on obligation related to changes in the consolidation scope | 54 | 43 |
| **PRESENT VALUE OF DEFINED-BENEFIT OBLIGATION AT END OF PERIOD** | **9,571** | **9,831** |



## ➤ CHANGE IN THE FAIR VALUE OF PLAN ASSETS AND REIMBURSEMENT RIGHTS

| | Plan assets | | Reimbursement rights | |
|---|---|---|---|---|
| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
| **FAIR VALUE OF ASSETS AT START OF PERIOD** | **5,572** | **5,365** | **2,926** | **2,939** |
| Expected return on assets | 109 | 137 | 28 | 55 |
| Settlements | (1) | (57) | | |
| Actuarial gains/(losses) on assets | 214 | 392 | 149 | 18 |
| Actual employee contributions | 14 | 14 | 10 | 10 |
| Employer contributions | 139 | 206 | 89 | 94 |
| Benefits paid from assets | (259) | (234) | (220) | (207) |
| Exchange rate gains/(losses) on assets | (329) | (287) | | |
| Gains/(losses) on assets related to changes in the consolidation scope | 115 | 37 | (51) | 17 |
| Others | | (1) | | |
| **FAIR VALUE OF ASSETS AT END OF PERIOD** | **5,574** | **5,572** | **2,931** | **2,926** |

## COMPONENTS OF THE COST OF DEFINED-BENEFIT PLANS

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Service costs** | **250** | **226** |
| Current service cost | 257 | 270 |
| Past service cost | (1) | (36) |
| Settlements | (6) | (8) |
| **Net financial expense** | **26** | **27** |
| Interest cost on obligation | 147 | 201 |
| Interest cost on asset limitation | 16 | 18 |
| Interest income on plan assets | (109) | (137) |
| Interest income on reimbursement rights | (28) | (55) |
| **TOTAL RECOGNISED IN SALARY AND EMPLOYEE BENEFIT EXPENSE** | **276** | **253** |

## OTHER ITEMS RECOGNISED DIRECTLY IN EQUITY

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Other items recognised directly in equity** | **194** | **(291)** |
| Actuarial (losses)/gains on plan assets or reimbursement rights | 363 | 410 |
| Actuarial (losses)/gains of demographic assumptions on the present value of obligations | 58 | (7) |
| Actuarial (losses)/gains of financial assumptions on the present value of obligations | (210) | (734) |
| Experience (losses)/gains on obligations | (51) | 86 |
| Variation of the effect of assets limitation | 34 | (46) |



### Main actuarial assumptions used to calculate obligations

In the Eurozone, United Kingdom and United States, the Group discounts its obligations using the yields of high quality corporate bonds, with a term consistent with the duration of the obligations.

The ranges of rates used are as follows:

| *In %* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Discount rate | Compensation increase rate(1) | Discount rate | Compensation increase rate(1) |
| Belgium | 0.60%-1.90% | 2.90%-3.40% | 0.60%-1.40% | 2.60%-3.20% |
| UK | 1.50%-2.70% | 2.00%-4.70% | 1.50%-2.80% | 2.00%-4.70% |
| France | 0.50%-1.30% | 2.15%-3.40% | 0.10%-1.30% | 2.00% |
| Switzerland | 0.00%-0.80% | 1.40%-1.50% | 0.00%-0.60% | 1.40% |
| USA | 2.25%-3.75% | 4.00% | 1.95%-4.15% | 4.00% |
| Italy | 0.50%-1.80% | 1.80%-2.70% | 0.80%-1.80% | 1.40%-1.70% |
| Turkey | 11.80% | 6.00% | 10.00%-10.15% | 6.00% |

*(1) Including price increases (inflation).*

Observed weighted average rates are as follows:

- In the Eurozone: 1.06% at 31 December 2017 (1.04% at 31 December 2016);
- In the United Kingdom: 2.41% at 31 December 2017 (2.61% at 31 December 2016);
- In Switzerland: 0.60% at 31 December 2017 (unchanged from 31 December 2016).

The impact of a 100 bp change in discount rates on the present value of post-employment benefit obligations is as follows:

| Change in the present value of obligations *In millions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Discount rate -100 bp | Discount rate +100 bp | Discount rate -100 bp | Discount rate +100 bp |
| Belgium | 309 | (286) | 337 | (288) |
| UK | 389 | (286) | 409 | (299) |
| France | 144 | (122) | 167 | (139) |
| Switzerland | 105 | (143) | 114 | (155) |
| USA | 95 | (82) | 111 | (95) |
| Italy | 27 | (28) | 35 | (31) |
| Turkey | 10 | (8) | 16 | (13) |

## ACTUAL RATE OF RETURN ON PLAN ASSETS AND REIMBURSEMENT RIGHTS OVER THE PERIOD

| *In %* | Year to 31 Dec. 2017 | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|
| | Range of value (reflecting the existence of several plans in the same country) | Weighted average rates | Range of value (reflecting the existence of several plans in the same country) | Weighted average rates |
| Belgium | 1.25%-5.90% | 2.94% | 0.50%-5.00% | 2.60% |
| UK | 2.30%-9.70% | 6.55% | 3.10%-28.40% | 23.30% |
| France | 3.65% | 3.65% | 3.20% | 3.20% |
| Switzerland | 6.95%-7.85% | 6.96% | 1.80%-2.40% | 1.82% |
| USA | 8.40%-14.20% | 11.37% | 1.70%-6.00% | 3.57% |
| Turkey | 10.55% | 10.55% | 10.00% | 10.00% |

## BREAKDOWN OF PLAN ASSETS

| *In %* | 31 December 2017 | | | | | | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Governmental bonds | Non-Governmental bonds | Real-estate | Deposit account | Others | Shares | Governmental bonds | Non-Governmental bonds | Real-estate | Deposit account | Others |
| Belgium | 7% | 52% | 19% | 1% | 0% | 21% | 6% | 51% | 22% | 2% | 0% | 19% |
| UK | 26% | 35% | 9% | 0% | 1% | 29% | 30% | 39% | 8% | 0% | 2% | 21% |
| France(1) | 6% | 68% | 18% | 8% | 0% | 0% | 6% | 67% | 19% | 8% | 0% | 0% |
| Switzerland | 32% | 29% | 4% | 18% | 2% | 15% | 31% | 37% | 0% | 17% | 2% | 13% |
| USA | 33% | 36% | 18% | 0% | 8% | 5% | 38% | 40% | 16% | 2% | 3% | 1% |
| Turkey | 0% | 0% | 0% | 5% | 93% | 2% | 0% | 0% | 0% | 5% | 94% | 1% |
| Others | 13% | 23% | 9% | 1% | 12% | 42% | 6% | 12% | 9% | 1% | 16% | 56% |
| **GROUP** | **16%** | **41%** | **14%** | **4%** | **6%** | **18%** | **16%** | **43%** | **14%** | **4%** | **7%** | **16%** |

*(1) In France, the breakdown of plan assets reflects the breakdown of the general fund of the insurance company through which the Group's obligations are funded.*

The Group introduced an asset management governance for assets backing defined-benefit pension plan commitments, the main objectives of which are the management and control of the risks in terms of investment.

It sets out investment principles, in particular, by defining an investment strategy for plan assets, based on financial objectives and financial risk management, to specify the way in which plan assets have to be managed, via financial management servicing contracts.

The investment strategy is based on an assets and liabilities management analysis that should be realised at least on an annual basis for plans with assets in excess of EUR 100 million and every three years for plans with assets of between EUR 20 and EUR 100 million.

### Post-employment healthcare benefits

The Group offers some healthcare benefit plans for retired employees, mainly in the United States and Belgium. These plans are mainly closed to new entrants.

At the end of 2016, the healthcare benefit plan of Bank of the West in the United States was closed, rights have been frozen and conditions of eligibility have been modified for some employees.

The present value of post-employment healthcare benefit obligations stood at EUR 143 million at 31 December 2017, compared with EUR 155 million at 31 December 2016, i.e. an decrease of EUR 12 million in 2017, of which EUR 7 million recognised directly in shareholders' equity.

## 6.c OTHER LONG-TERM BENEFITS

BNP Paribas offers its employees various long-term benefits, mainly long-service awards, the ability to save up paid annual leave in time savings accounts, and certain guarantees protecting them in the event they become incapacitated. The net provision amounted to EUR 462 million at 31 December 2017 (EUR 533 million at 31 December 2016).

As part of the Group's variable compensation policy, annual deferred compensation plans are set up for certain high-performing employees or pursuant to special regulatory frameworks. Under these plans, payment is deferred over time and is subject to the performance achieved by the business lines, divisions and Group.

Since 2013, BNP Paribas has introduced a Group loyalty scheme with a cash payment, at the end of a three-year vesting period, which fluctuates according to the Group's intrinsic performance. The aim of this loyalty scheme is to make different categories of managerial staff partners in the Group's development and profitability objectives. These personnel are representative of the Group's talent and the breadth of its managerial framework i.e. senior managers, managers in key positions, line managers and experts, high-potential managers, high-performing young executives with good career development prospects and key contributors to the Group's results.

The amounts allocated under this plan are linked to changes in the Group's operational performance over three years (for 80%) and to the achievement of the Group's corporate social responsibility (CSR) targets (for 20%). These nine targets are in line with the four pillars on which the Group's CSR policy is based. In addition, the final payment is subject to continuous service within the Group between the grant date and the payment date, provided that the Group's operating income and pre-tax income for the year prior to payment are strictly positive. For employees subject to special regulatory frameworks, this loyalty scheme is adjusted in accordance with the CRD4 European Directive.

The net obligation related to deferred compensation plans and loyalty schemes amounts to EUR 619 million at 31 December 2017 (EUR 635 million at 31 December 2016).

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Net provisions for other long-term benefits** | **1,081** | **1,168** |
| Asset recognised in the balance sheet under the other long-term benefits | (89) | (99) |
| Obligation recognised in the balance sheet under the other long-term benefits | 1,170 | 1,267 |

## 6.d TERMINATION BENEFITS

BNP Paribas has implemented a number of voluntary redundancy plans and headcount adaptation plans for employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans are provided for as soon as a bilateral agreement or a bilateral agreement proposal for a particular plan is made.

In 2016, in France, CIB activities in BNP Paribas SA and BNP Paribas Arbitrage have set up in their respective scope a 3-year voluntary redundancy plan (from October 2016 to December 2018).

| *In millions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Provision for voluntary departure, early retirement plans, and headcount adaptation plans | 389 | 495 |

## 6.e SHARE-BASED PAYMENTS

### Share-based loyalty, compensation and incentive schemes

Until 2012, BNP Paribas set up several share-based payment schemes for certain employees: performance shares plans and stock subscription or purchase plans.

After 2012, only some cash-settled long term compensation plans are still share price-linked, especially for employees whose activities are likely to have an impact on the Group's risk exposure.

### Deferred share price-linked, cash-settled compensation plans

As part of the Group's variable remuneration policy, deferred annual compensation plans offered to certain high-performing employees or set up pursuant to special regulatory frameworks may entitle beneficiaries to variable compensation settled in cash but linked to the share price, payable over several years.

#### Variable compensation for employees, subject to special regulatory frameworks

Since the publication of the Decree by the French ministry of finance on 13 December 2010, and following the provisions of the European Directive CRD4 of 26 July 2013 transposed into the French law in the Monetary and Financial Code by the Order of 20 February 2014 as well as the Decrees and Orders of 3 November 2014 and the delegated European regulation of 4 March 2014, the variable compensation plans apply to Group employees performing activities that may have a material impact on the Group's risk profile.

Under these plans, payment is deferred over time and is contingent on the performance achieved by the business lines, core businesses and Group.

Sums will mostly be paid in cash linked to the increase or decrease in the BNP Paribas share price.

#### Deferred variable compensation for other Group employees

Sums due under the annual deferred compensation plans for high-performing employees are partly paid in cash linked to the increase or decrease in the BNP Paribas share price.

### Global Share-Based Incentive Plan (until 2012)

BNP Paribas set up a Global Share-Based Incentive Plan for some Group employees, including stock options and performance share awards.

The option exercise price under these plans is determined at the time of issuance and no discount is offered. The duration of the options granted is 8 years.

Performance shares awarded between 2009 and 2012 vest after a period of 3 or 4 years, depending on the case and provided that the employee is still a member of the Group. The compulsory holding period for performance shares is two years for France-based employees.

Since 2010, the conditional portion granted had been set at 100% of the total award for members of the BNP Paribas Group Executive Committee and senior managers and 20% for other beneficiaries.

Under stock option plans set up between 2003 and 2011, the performance condition was not fully met on seven out of thirty occasions and the adjustments described above were therefore implemented. Under performance share plans awarded between 2009 and 2012, the performance condition was not met on three out of ten occasions and the relevant contingent portion therefore lapsed.

All unexpired plans settle in a potential subscription of BNP Paribas shares.

#### ➤ EXPENSE OF SHARE-BASED PAYMENT

| Expense/(revenue) in millions of euros | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Prior deferred compensation plans | 82 | 139 |
| Deferred compensation plans for the year | 345 | 327 |
| Global Share-Based Incentive Plan | - | 1 |
| **TOTAL** | **427** | **467** |

### Valuation of stock option plans and performance share plans

As required under IFRS 2, BNP Paribas attributes a value to stock options and performance shares granted and recognises an expense, determined at the date of grant, calculated respectively on the basis of the fair value of the options and shares concerned. This initial fair value may not subsequently be adjusted for changes in the quoted market price of BNP Paribas shares. The only assumptions that may result in a revision of the fair value during the vesting period, and hence an adjustment in the expense, are those related to the population of beneficiaries (loss of rights) and internal performance conditions. The Group's share-based payment plans are valued by an independent specialist firm.

### History of plans granted under the Global Share-Based Incentive Plan

The tables below give details of the characteristics and terms of all unexpired plans at 31 December 2017:

#### ➤ STOCK SUBSCRIPTION OPTION PLAN

| Characteristics of the plan | | | | | | | Options outstanding at end of period | |
|---|---|---|---|---|---|---|---|---|
| Originating company | Date of grant | Number of grantees | Number of options granted(1) | Start date of exercise period | Option expiry date | Adjusted exercise price *(in euros)*(1) | Number of options(1) | Remaining period until expiry of options (years) |
| BNP Paribas SA(2) | 06/04/2009 | 1,397 | 2,437,234 | 08/04/2013 | 05/04/2017 | 35.11 | - | - |
| BNP Paribas SA(2) | 05/03/2010 | 1,820 | 2,423,700 | 05/03/2014 | 02/03/2018 | 51.20 | 814,312 | 0.2 |
| BNP Paribas SA(2) | 04/03/2011 | 1,915 | 2,296,820 | 04/03/2015 | 04/03/2019 | 56.45 | 1,463,131 | 1.2 |
| **TOTAL OPTIONS OUTSTANDING AT END OF PERIOD** | | | | | | | **2,277,443** | |

*(1) The number of options and the exercise price have been adjusted, where appropriate, for the detachment of pre-emptive subscription rights on 30 September 2009, in accordance with the regulations in force.*

*(2) The plan is subject to vesting conditions under which a proportion of the options granted to employees is conditional upon the performance of the BNP Paribas share relative to the Dow Jones EURO STOXX Banks index during the applicable holding period.*
*Based on this relative performance condition, the adjusted exercise price for these options has been set at EUR 67.74 instead of EUR 56.45 for 208,311 options under the 4 March 2011 plan, outstanding at the year-end.*

#### ➤ PERFORMANCE SHARE PLANS

At 31 December 2017, 1,347 BNP Paribas SA shares granted via performance share plans from 2009 to 2012 were not yet delivered to their beneficiaries.

### Movements in stock subscription option plans

| | Year to 31 Dec. 2017 | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price *(in euros)* | Number of options | Weighted average exercise price *(in euros)* |
| **OPTIONS OUTSTANDING AT 1 JANUARY** | **4,176,666** | **51.98** | **8,201,959** | **56.09** |
| Options exercised during the period | (1,856,733) | 47.64 | (682,500) | 41.75 |
| Options expired during the period | (42,490) | | (3,342,793) | |
| **OPTIONS OUTSTANDING AT 31 DECEMBER** | **2,277,443** | **55.61** | **4,176,666** | **51.98** |
| **OPTIONS EXERCISABLE AT 31 DECEMBER** | **2,277,443** | **55.61** | **4,176,666** | **51.98** |

The average quoted stock market price in 2017 is EUR 62.82 (EUR 54.07 in 2016).

# Note 7. ADDITIONAL INFORMATION

## 7.a CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

At 31 December 2017, the share capital of BNP Paribas SA amounted to EUR 2,497,718,772, and was divided into 1,248,859,386 shares. The nominal value of each share is EUR 2. At 31 December 2016, the share capital amounted to EUR 2,494,005,306 and was divided into 1,247,002,653 shares.

### Ordinary shares issued by BNP Paribas and held by the Group

| | Proprietary transactions | | Trading transactions(1) | | Total | |
|---|---|---|---|---|---|---|
| | Number of shares | Carrying amount *(in millions of euros)* | Number of shares | Carrying amount *(in millions of euros)* | Number of shares | Carrying amount *(in millions of euros)* |
| **Shares held at 31 December 2015** | **1,623,873** | **81** | **(161,929)** | **(9)** | **1,461,944** | **72** |
| Acquisitions | 1,365,397 | 61 | | | 1,365,397 | 61 |
| Disposals | (1,407,897) | (63) | | | (1,407,897) | (63) |
| Shares delivered to employees | (731,055) | (35) | | | (731,055) | (35) |
| Capital decrease | (65,000) | (3) | | | (65,000) | (3) |
| Other movements | | | 276,647 | 16 | 276,647 | 16 |
| **Shares held at 31 December 2016** | **785,318** | **41** | **114,718** | **7** | **900,036** | **48** |
| Acquisitions | 320,794 | 20 | | | 320,794 | 20 |
| Disposals | (297,794) | (18) | | | (297,794) | (18) |
| Shares delivered to employees | (576) | | | | (576) | |
| Other movements | | | (272,895) | (17) | (272,895) | (17) |
| **Shares held at 31 December 2017** | **807,742** | **43** | **(158,177)** | **(10)** | **649,565** | **33** |

*(1) Transactions realised in the framework of an activity of trading and arbitrage transactions on equity indices.*

At 31 December 2017, the BNP Paribas Group was a holder of 649,565 BNP Paribas shares representing an amount of EUR 33 million, which was recognised as a decrease in equity.

Under the Bank's market-making agreement relating to the BNP Paribas share on the Italian market made with Exane BNP Paribas, and in line with the Code of Ethics recognised by the AMF, the Bank bought back 320,794 shares in 2017 at an average share price of EUR 61.78, and sold 297,794 shares at an average share price of EUR 62.08. At 31 December 2017, 80,500 shares worth EUR 5.2 million were held by BNP Paribas SA under this agreement.

From 1 January 2017 to 31 December 2017, 576 shares were delivered following the definitive award of performance shares to their beneficiaries.

### Preferred shares and Undated Super Subordinated Notes eligible as Tier 1 regulatory capital

#### Preferred shares issued by the Group's foreign subsidiaries

BNP Paribas Personal Finance made in 2004 two issues of undated non-voting preferred shares through a structured entity governed by UK law and which is exclusively controlled. Since the first call date, these preferred shares are redeemable at par at the issuer's discretion at each quarterly coupon date.

| Issuer | Date of issue | Currency | Amount *(in millions of euros)* | Rate and term before 1st call date | | Rate after 1st call date |
|---|---|---|---|---|---|---|
| Cofinoga Funding II LP | January and May 2004 | EUR | 80 | TEC 10(1) +1.35% | 10 years | TEC 10(1) +1.35% |
| **TOTAL AT 31 DECEMBER 2017** | | | **73(2)** | | | |

*(1) TEC 10 is the daily long-term government bond index, corresponding to the yield-to-maturity of a fictitious 10-year Treasury note.*
*(2) Value at the date of acquisition of control over the LaSer group.*

These issues and the related dividends are recorded under "Minority interests" in the balance sheet.

## Undated Super Subordinated Notes issued by BNP Paribas SA

BNP Paribas has issued Undated Super Subordinated Notes which pay a fixed, fixed adjustable or floating rate coupon and are redeemable at the end of a fixed period and thereafter at each coupon date or every five years. If the notes are not redeemed at the end of this period, some of these issues will pay a coupon indexed to Euribor, Libor or a swap rate.

On 30 March 2016, BNP Paribas SA has issued Undated Super Subordinated Notes for an amount of USD 1,500 million which pay a 7.625% fixed-rate coupon. The notes could be redeemed at the end of a 5-year period. If the notes are not redeemed in 2021, a 5-year dollar swap rate coupon will be paid half-yearly. This issue is eligible to Additional Tier 1 capital.

On 12 and 19 April 2016, BNP Paribas SA redeemed the April 2006 issues for a total amount of EUR 549 million and GBP 450 million at the first call date. These notes paid a 4.73% and 5.945% fixed-rate coupon.

On 13 July 2016, BNP Paribas SA redeemed the July 2006 issue for a total amount of GBP 163 million at the first call date. These notes paid a 5.954% fixed-rate coupon.

On 14 December 2016, BNP Paribas SA has issued Undated Super Subordinated Notes for an amount of USD 750 million which pay a 6.75% fixed-rate coupon. These notes could be redeemed at the end of a period of 5 years and 3 months. If the notes are not redeemed in 2022, a 5-year dollar swap rate coupon will be paid half-yearly. This issue is eligible to Additional Tier 1 capital.

On 13 April 2017, BNP Paribas SA redeemed the April 2007 issue for a total amount of EUR 638 million at the first call date. These notes paid a 5.019% fixed-rate coupon.

On 23 October 2017, BNP Paribas SA redeemed the October 2007 issue, for an amount of GBP 200 million, at the first call date. These notes paid a 7.436% fixed-rate coupon.

On 15 November 2017, BNP Paribas SA has issued Undated Super Subordinated Notes for an amount of USD 750 million which pay a 5.125% fixed-rate coupon. These notes could be redeemed at the end of a period of 5 years. If the notes are not redeemed in 2022, a 5-year dollar swap rate coupon will be paid half-yearly. This issue is eligible to Additional Tier 1 capital.



The following table summarises the characteristics of these various issues:

| Date of issue | Currency | Amount *(in millions of currency units)* | Coupon payment date | Rate and term before 1st call date | | Rate after 1st call date |
|---|---|---|---|---|---|---|
| October 2005 | EUR | 1,000 | annual | 4.875% | 6 years | 4.875% |
| October 2005 | USD | 400 | annual | 6.250% | 6 years | 6.250% |
| July 2006 | EUR | 150 | annual | 5.450% | 20 years | 3-month Euribor +1.920% |
| June 2007 | USD | 600 | quarterly | 6.500% | 5 years | 6.500% |
| June 2007 | USD | 1,100 | semi-annual | 7.195% | 30 years | USD 3-month Libor +1.290% |
| June 2008 | EUR | 500 | annual | 7.781% | 10 years | 3-month Euribor +3.750% |
| September 2008 | EUR | 100 | annual | 7.570% | 10 years | 3-month Euribor +3.925% |
| December 2009 | EUR | 2 | quarterly | 3-month Euribor +3.750% | 10 years | 3-month Euribor +4.750% |
| December 2009 | EUR | 17 | annual | 7.028% | 10 years | 3-month Euribor +4.750% |
| December 2009 | USD | 70 | quarterly | USD 3-month Libor +3.750% | 10 years | USD 3-month Libor +4.750% |
| December 2009 | USD | 0.5 | annual | 7.384% | 10 years | USD 3-month Libor +4.750% |
| June 2015 | EUR | 750 | semi-annual | 6.125% | 7 years | EUR 5-year swap +5.230% |
| August 2015 | USD | 1,500 | semi-annual | 7.375% | 10 years | USD 5-year swap +5.150% |
| March 2016 | USD | 1,500 | semi-annual | 7.625% | 5 years | USD 5-year swap + 6.314% |
| December 2016 | USD | 750 | semi-annual | 6.750% | 5.25 years | USD 5-year swap +4.916% |
| November 2017 | USD | 750 | semi-annual | 5.125% | 5 years | USD 5-year swap +2.838% |
| **TOTAL EURO-EQUIVALENT HISTORICAL VALUE AT 31 DECEMBER 2017** | | **8,172(1)** | | | | |

*(1) Net of shares held in treasury by Group entities.*

BNP Paribas has the option of not paying interest due on these Undated Super Subordinated Notes. Unpaid interest is not carried forward.

For the notes issued before 2015, the absence of coupon payment is conditional on the absence of dividend payment on BNP Paribas SA ordinary shares or on Undated Super Subordinated Note equivalents during the previous year. Interest due is payable once dividend payment on BNP Paribas SA ordinary shares resumes.

The contracts relating to these Undated Super Subordinated Notes contain a loss absorption clause. Under the terms of this clause, in the event of insufficient regulatory capital, the nominal value of the notes may be reduced in order to serve as a new basis for the calculation of the related coupons until the capital deficiency is made up and the nominal value of the notes is increased to its original amount.

The proceeds from these issues are recorded in equity under "Capital and retained earnings". In accordance with IAS 21, issues denominated in foreign currencies are recognised at their historical value based on their translation into euros at the issue date. Interest on the instruments is treated in the same way as dividends.

At 31 December 2017, the BNP Paribas Group held EUR 15 million of Undated Super Subordinated Notes which were deducted from shareholders' equity.

## Earnings per share

Basic earnings per share are calculated by dividing the net income for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. The net income attributable to ordinary shareholders is determined by deducting the net income attributable to holders of preferred shares.

Diluted earnings per share correspond to the net income for the period attributable to holders of ordinary shares, divided by the weighted average number of shares outstanding as adjusted for the maximum effect of the conversion of dilutive equity instruments into ordinary shares. In-the-money stock subscription options are taken into account in the diluted earnings per share calculation, as are performance shares granted under the Global Share-Based Incentive Plan. Conversion of these instruments would have no effect on the net income figure used in this calculation.



| | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Net profit used to calculate basic and diluted earnings per ordinary share** *(in millions of euros)*[(1)] | **7,537** | **7,470** |
| **Weighted average number of ordinary shares outstanding during the year** | **1,246,386,807** | **1,244,469,997** |
| Effect of potentially dilutive ordinary shares | 296,592 | 147,762 |
| Stock subscription option plan[(2)] | 295,245 | 146,009 |
| Performance share attribution plan[(2)] | 1,347 | 1,753 |
| **Weighted average number of ordinary shares used to calculate diluted earnings per share** | **1,246,683,399** | **1,244,617,759** |
| **Basic earnings per share** *(in euros)* | **6.05** | **6.00** |
| **Diluted earnings per share** *(in euros)* | **6.05** | **6.00** |

*(1) The net profit used to calculate basic and diluted earnings per share is the net profit attributable to equity shareholders, adjusted for the remuneration on the Undated Super Subordinated Notes issued by BNP Paribas SA (treated as preferred share equivalents), which for accounting purposes is handled as dividends, as well as the related foreign exchange impact recognised directly in shareholders' equity.*

*(2) See note 6.e Share-based payments for the description of share-based plans and performance share attribution plans.*

The dividend per share paid in 2017 out of the 2016 net income amounted to EUR 2.70, compared with EUR 2.31 paid in 2016 out of the 2015 net income.

## 7.b CONTINGENT LIABILITIES: LEGAL PROCEEDINGS AND ARBITRATION

The Bank and certain of its subsidiaries are defendants in several actions pending before the United States Bankruptcy Court Southern District of New York brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC ("BLMIS"). These actions, known generally as "clawback claims", are similar to those brought by the BLMIS Trustee against numerous institutions, and seek recovery of amounts allegedly received by the BNP Paribas entities from BLMIS or indirectly through BLMIS-related "feeder funds" in which BNP Paribas entities held interests. The BLMIS Trustee claims in these actions that the amounts which BNP Paribas entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. In the aggregate, the amount sought to be recovered in these actions approximates USD 1.3 billion. BNP Paribas has substantial and credible defenses to these actions and is defending against them vigorously. On 22 November 2016, the Bankruptcy Court issued a decision on the ability of the BLMIS Trustee to recover foreign transfers from foreign defendants in these actions. The decision resulted in the dismissals of the majority of the BLMIS Trustee's claims against BNP Paribas entities, which constitute most of the total amount sought to be recovered in these actions. These dismissals are subject to appeal.

Various litigations and investigations are ongoing relating to the restructuring of the Fortis group, now Ageas, of which BNP Paribas Fortis is no longer part, and to events having occurred before BNP Paribas Fortis became part of the BNP Paribas Group. Among these are litigations brought by shareholder groups in The Netherlands and Belgium against Ageas and, among others, against BNP Paribas Fortis, in relation to its role as global coordinator of Fortis (now Ageas)'s capital increase in October 2007 to partly finance its acquisition of ABN Amro Bank N.V. These shareholder groups mainly allege that there has been a breach in financial communication, regarding, inter alia, the disclosure on the exposure to subprime mortgages. On 14 March 2016, Ageas announced that it had entered into a proposed settlement with representatives of certain shareholder groups with respect to civil proceedings related to the former Fortis group for the events of 2007 and 2008. This settlement applies to all Fortis shareholders who held shares between 28 February 2007 and 14 October 2008, irrespective of whether they are members of a shareholder group that was represented in the negotiation of the settlement. The parties requested the Amsterdam Court of Appeals to declare the settlement to be binding on all Fortis shareholders who are eligible to participate in it, in accordance with the Dutch Act on Collective Settlement of Mass Claims ("Wet Collectieve Afwikkeling Massaschade" or "WCAM"). Since the first proposed settlement had not been declared binding by the Court, the parties submitted to the Court, on 12 December 2017, an amended WCAM settlement. BNP Paribas Fortis will be able to invoke this settlement, if it becomes final and binding. All ongoing civil litigations in Belgium and in the Netherlands involving BNP Paribas Fortis as per its aforementioned role are currently suspended.

Litigation was also brought in Belgium by minority shareholders of Fortis against the Société Fédérale de Participations et d'Investissement, Ageas and BNP Paribas seeking (amongst other things) damages from BNP Paribas as restitution for part of the BNP Paribas Fortis shares that were contributed to BNP Paribas in 2009, on the ground that the transfer of these shares was null and void. On 29 April 2016 the Brussels Commercial court decided to stay the proceedings until the resolution of the pending Fortis criminal proceeding in Belgium. BNP Paribas does not have tangible elements to assess the duration of such suspension.

Regulatory and law enforcement authorities in multiple jurisdictions are conducting investigations or making inquiries of a number of financial institutions regarding trading on the foreign exchange markets, including, among other things, possible collusion among financial institutions to manipulate certain benchmark currency exchange rates. The Bank has to date received requests for information in this respect from regulatory and law enforcement authorities in the United Kingdom, the United States and several countries in the Asia-Pacific region as well as from the European Competition Commission. The Bank has been cooperating with the investigations and inquiries and has responded to the information requests. In November 2014 the Financial Conduct Authority in the United Kingdom, in December 2014 the Hong Kong Monetary Authority, in October 2015, the Financial Services Agency in Japan, on 17 November 2016 the US Commodity and Futures Trading Commission, and on 22 March 2017 the US Department of Justice Fraud Section, informed the Bank that they had discontinued their investigation as to BNP Paribas. Regarding the United States, on 24 May 2017, the New York Department of Financial Services ("DFS") announced that it had fined the Bank USD 350 million as part of a consent order for violations of New York banking law arising out of the Bank's global foreign exchange business. As part of that consent order, the Bank has also agreed to improve its internal policies and controls relating to its foreign exchange business. The Bank has cooperated with the DFS in resolving this matter and took remedial actions both before and after the DFS began its investigation into the Bank's FX trading business to address the issues arising from its FX trading business. On 17 July 2017 the Board of Governors of the Federal Reserve System ("FED") announced that it had fined the Bank and certain of its US subsidiaries USD 246 million as part of a consent order for unsafe and unsound practices in the foreign exchange market. As part of that consent order, the Bank has also agreed to improve its internal policies and controls relating to certain Designated Market Activities that include its foreign exchange business. As done with all relevant US authorities, the Bank has cooperated with the FED in resolving this matter and took remedial actions both before and after the FED began its investigation into the Bank's FX trading business to address the issues arising from its FX trading business. The Bank continues to cooperate with the remaining investigations and inquiries and, in particular, with the US Department of Justice Antitrust Division. Finally, on 25 January 2018, BNP Paribas USA Inc. accepted to plead guilty in front of the Federal trial Court in Manhattan to a single violation of the Sherman Antitrust Act. As part of this plea, BNP Paribas USA Inc. has agreed to pay a criminal fine of USD 90 million, to strengthen (alongside certain related entities) its compliance and internal controls as required by the FED and the DFS, and to cooperate with the Department of Justice's ("DOJ" – Antitrust Division) ongoing criminal investigation into the FX market and to report relevant information to the DOJ. Both the DOJ and BNP Paribas USA Inc. have agreed to recommend no probation, in light of, among other factors, the Bank's substantial efforts relating to compliance and remediation to address and prevent the re-occurrence through its compliance and remediation program of the issues arising from its FX trading business. This plea constitutes the final step of and closes the current investigation by the US authorities into the FX activities of the Bank.

The US judicial and supervisory authorities are currently investigating or requesting information from a number of financial institutions in relation to certain activities as reported in the international financial press in relation to the US treasuries market or the ISDAFIX index. The Bank which has received some requests for information is cooperating with investigations and is responding to requests for information. The outcome and potential impact of these investigations or requests for information is difficult to predict before their close and the subsequent discussions with the US authorities. It should be noted that a number of financial institutions are involved in these investigations or requests for information and that reviews carried out in connection therewith have often led to settlements including in particular the payment of fines or significant penalties depending on the circumstances specific to each financial institution.

## 7.c BUSINESS COMBINATIONS

### Operations realised in 2017



#### Financière des Paiements Électroniques

On 13 July 2017, BNP Paribas acquired an 89.2% stake in Financière des Paiements Électroniques, which provides the "Compte-Nickel" payments account. This acquisition led the BNP Paribas Group to fully consolidate this entity.

This acquisition resulted in a EUR 0.4 billion increase of the Group balance sheet at the purchase date.

The goodwill on Financière des Paiements Electroniques amounts to EUR 159 million.

#### Opel Bank SA

On 1 November 2017, BNP Paribas Personal Finance and Banque PSA Finance (PSA group) closed their joint acquisition of all European activities of GM Financial, covering existing brands Opel Bank, Opel Financial Services and Vauxhall Finance.

BNP Paribas holds 50% of Open Bank SA, the parent company of the Opel Vauxhall Finance group purchased. This entity is under exclusive control by BNP Paribas and is fully consolidated.

As at 31 December 2017, no material goodwill was identified.

This acquisition resulted in a EUR 10.2 billion increase of the Group balance sheet at the purchase date, of which a EUR 8.3 billion increase in loans and receivables due from customers.

#### Cargeas Assicurazioni

On 28 December 2017, BNP Paribas Cardif obtained control of Italian non-life insurer Cargeas Assicurazioni, following the purchase of shares held by Ageas. BNP Paribas Group already had a significant influence on Cargeas Assicurazioni and this entity was consolidated under the equity method. This acquisition led to the full consolidation of this entity.

This acquisition resulted in a EUR 0.8 billion increase of the Group balance sheet at the purchase date.

The goodwill on Cargeas Assicurazioni amounts to EUR 57 million.

### Operations realised in 2016

#### Sharekhan group

BNP Paribas purchased on 23 November 2016, 100% of Sharekhan group. This acquisition led the BNP Paribas Group to fully consolidate Sharekhan.

Sharekhan is a retail brokerage firm in India offering broking solutions to more than 1 million private clients.

This acquisition resulted in a EUR 0.4 billion increase of the Group balance sheet at the purchase date.

The goodwill on Sharekhan amounted to EUR 93 million.

## 7.d MINORITY INTERESTS

### Main minority interests

The assessment of the material nature of minority interests is based on the contribution of the relevant subsidiaries to the Group balance sheet (before elimination of intragroup balances and transactions) and to the Group profit and loss account.

| *In millions of euros* | 31 December 2017 | Year to 31 Dec. 2017 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total assets before elimination of intragroup transactions | Revenues | Net income | Net income and changes in assets and liabilities recognised directly in equity | Minority shareholders' interest (%) | Net income attributable to minority interests | Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests | Dividends paid to minority shareholders |
| Contribution of the entities belonging to the BGL BNP Paribas Group | 76,278 | 1,495 | 561 | 455 | 34% | 187 | 155 | 90 |
| Other minority interests | | | | | | 261 | 77 | 84 |
| **TOTAL** | | | | | | **448** | **232** | **174** |

| *In millions of euros* | 31 December 2016 | Year to 31 Dec. 2016 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total assets before elimination of intragroup transactions | Revenues | Net income | Net income and changes in assets and liabilities recognised directly in equity | Minority shareholders' interest (%) | Net income attributable to minority interests | Net income and changes in assets and liabilities recognised directly in equity - attributable to minority interests | Dividends paid to minority shareholders |
| Contribution of the entities belonging to the BGL BNP Paribas Group | 69,985 | 1,504 | 554 | 532 | 34% | 183 | 178 | 69 |
| Other minority interests | | | | | | 230 | 207 | 45 |
| **TOTAL** | | | | | | **413** | **385** | **114** |

There are no particular contractual restrictions on the assets of BGL BNP Paribas Group related to the presence of the minority shareholder.

### ➤ INTERNAL RESTRUCTURING THAT LED TO A CHANGE IN MINORITY SHAREHOLDERS' INTEREST IN THE EQUITY OF SUBSIDIARIES

No significant internal restructuring operation occurred during the year ended 31 December 2017, nor during the year ended 31 December 2016.

### ➤ ACQUISITIONS OF ADDITIONAL INTERESTS AND PARTIAL SALES OF INTERESTS LEADING TO CHANGES IN MINORITY INTERESTS IN THE EQUITY OF SUBSIDIARIES

| *In millions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Attributable to shareholders | Minority interests | Attributable to shareholders | Minority interests |
| **Cardif IARD** | | | | |
| Dillutive capital increase, reducing the Group interest percentage to 83.26%. | 27 | 5 | | |
| **Financière des Paiements Électroniques** | | | | |
| Additional acquisition, lifting the Group interest percentage to 95%. | (10) | 3 | | |
| **Commerz Finanz GmbH** | | | | |
| Sale of 50.1% of the banking activity to Commerz Bank and simultaneous acquisition of 49.9% of the credit activity. | (18) | (488) | | |
| **First Hawaiian Inc.** | | | | |
| On 6 February 2017, second offer on First Hawaiian Inc. for 20.6% of its capital at a 32-dollar price per share. | 250 | 588 | | |
| On 4 August 2016, Initial Public Offer on First Hawaiian Inc. for 17.39% of its capital at a 23-dollar price per share. | | | 87 | 460 |
| **UkrSibbank Public Joint Stock** | | | | |
| Sale of 40% of UkrSibbank's capital followed by a capital increase subscribed by all shareholders. | | | (102) | 34 |
| **Others** | **4** | **7** | **(17)** | |
| **TOTAL** | **253** | **115** | **(32)** | **494** |

### ➤ COMMITMENTS TO REPURCHASE MINORITY SHAREHOLDERS' INTERESTS

In connection with the acquisition of certain entities, the Group granted minority shareholders put options on their holdings.

The total value of these commitments, which are recorded as a reduction in shareholders' equity, amounts to EUR 522 million at 31 December 2017, compared with EUR 615 million at 31 December 2016.

## 7.e SIGNIFICANT RESTRICTIONS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

### Significant restrictions related to the ability of entities to transfer cash to the Group

The ability of entities to pay dividends or to repay loans and advances depends, *inter alia*, on local regulatory requirements for capitalisation and legal reserves, as well as the entities' financial and operating performance. During 2016 and 2017, no BNP Paribas Group entity was subject to significant restrictions other than those related to regulatory requirements.

### Significant restrictions relative to the Group's ability to use the assets lodged in consolidated structured entities

Access to the assets of consolidated structured entities in which third-party investors have invested is limited inasmuch as these entities' assets are reserved for the holders of units or securities. These assets total EUR 24 billion as at 31 December 2017 (EUR 20 billion as at 31 December 2016).

### Significant restrictions related to the Group's ability to use assets pledged as collateral or under repurchase agreements

The financial instruments pledged by the BNP Paribas Group as collateral or under repurchase agreements are presented in notes 4.s and 5.c.

### Significant restrictions related to liquidity reserves

Significant restrictions related to liquidity reserves correspond to the mandatory deposits placed with central banks presented in chapter 5 of the Registration document under *Liquidity risk*.

### Assets representative of unit-linked insurance contracts

Assets representative of unit-linked insurance contracts designated as at fair value through profit or loss, which amount to EUR 60 billion as at 31 December 2017 (compared with EUR 54 billion as at 31 December 2016), are held for the benefit of the holders of these contracts.

## 7.f STRUCTURED ENTITIES

The BNP Paribas Group is engaged in transactions with sponsored structured entities mainly through its activities of securitisation of financial assets – as either originator or sponsor –, fund management and specialised asset financing.

In addition, the BNP Paribas Group is also engaged in transactions with structured entities that it has not sponsored, notably in the form of investments in funds or securitisation vehicles.

The method for assessing control for structured entities is detailed in note 1.b.2. *Consolidation methods*.

### Consolidated structured entities

The main categories of consolidated structured entities are:

- **ABCP (Asset-Backed Commercial Paper) conduits:** the ABCP securitisation conduits Starbird, Matchpoint and Scaldis fund securitisation transactions managed by the BNP Paribas Group on behalf of its customers. Details on how these are financed and the Group's risk exposure are presented in chapter 5 of the Registration document under *Securitisation as sponsor on behalf of clients/Short-term refinancing*.
- **Proprietary securitisation:** proprietary securitisation positions originated and held by the BNP Paribas Group are detailed in chapter 5 of the Registration document under *Proprietary securitisation activities (originator)*.
- **Funds managed by the Group:** the BNP Paribas Group structures different types of funds for which it may act as fund manager, investor, custodian or guarantor. These funds are consolidated when the Group is both the manager and a significant investor, and is therefore exposed to variable returns.

### Unconsolidated structured entities

The BNP Paribas Group has entered into relations with unconsolidated structured entities in the course of its business activities to meet the needs of its customers.

#### Information relative to interests in sponsored structured entities

The main categories of unconsolidated sponsored structured entities are as follows:

- **Securitisation:** the BNP Paribas Group structures securitisation vehicles for the purposes of offering customers financing solutions for their assets, either directly or through consolidated ABCP conduits. Each vehicle finances the purchase of customers' assets (receivables, bonds, etc.) primarily by issuing bonds backed by these assets and whose redemption is linked to their performance.
- **Funds:** the Group structures and manages funds to offer investment opportunities to its customers. Dedicated or public funds are offered to institutional and individual customers, and are distributed and commercially monitored by the BNP Paribas Group. The entities of the BNP Paribas Group responsible for managing these funds may receive management fees and performance commission. The BNP Paribas Group may hold units in these funds, as well as units in funds dedicated to the insurance activity not managed by the BNP Paribas Group.
- **Asset financing:** the BNP Paribas Group finances structured entities that acquire assets (aircraft, ships, etc.) intended for lease, and the lease payments received by the structured entity are used to repay the financing, which is guaranteed by the asset held by the structured entity.
- **Other:** on behalf of its customers, the Group may also structure entities which invest in assets or are involved in debt restructuring.

An interest in an unconsolidated structured entity is a contractual or non-contractual link that exposes the BNP Paribas Group to variable returns from the performance of the entity.

The Group's assets and liabilities related to the interests held in sponsored structured entities are as follows:

| *In millions of euros, at 31 December 2017* | Securitisation | Funds | Asset Financing | Others | Total |
|---|---|---|---|---|---|
| **INTERESTS ON THE GROUP BALANCE SHEET** | | | | | |
| ASSETS | | | | | |
| Trading book | 206 | 885 | 102 | 1,143 | 2,336 |
| Instruments designated as at fair value through profit or loss(1) | | 27,625 | 19 | 79 | 27,723 |
| Available-for-sale financial assets | 4 | 806 | 173 | 545 | 1,528 |
| Loans and receivables | 10,143 | 358 | 10,917 | 47 | 21,465 |
| Other assets | 13 | 375 | 1 | 21 | 410 |
| **TOTAL ASSETS** | **10,366** | **30,049** | **11,212** | **1,835** | **53,462** |
| LIABILITIES | | | | | |
| Trading book | 34 | 560 | 33 | 2,286 | 2,913 |
| Instruments designated as at fair value through profit or loss | | | | 17 | 17 |
| Financial liabilities carried at amortised cost | 1,058 | 16,050 | 650 | 1,375 | 19,133 |
| Other liabilities | 2 | 323 | 97 | 35 | 457 |
| **TOTAL LIABILITIES** | **1,094** | **16,933** | **780** | **3,713** | **22,520** |
| **MAXIMUM EXPOSURE TO LOSS** | **14,779** | **30,580** | **13,189** | **2,399** | **60,947** |
| **SIZE OF STRUCTURED ENTITIES(2)** | **99,956** | **251,589** | **39,111** | **1,160** | **391,816** |

| *In millions of euros, at 31 December 2016* | Securitisation | Funds | Asset Financing | Others | Total |
|---|---|---|---|---|---|
| **INTERESTS ON THE GROUP BALANCE SHEET** | | | | | |
| ASSETS | | | | | |
| Trading book | 320 | 536 | 151 | 1,959 | 2,966 |
| Instruments designated as at fair value through profit or loss(1) | | 24,118 | 10 | 73 | 24,201 |
| Available-for-sale financial assets | 11 | 3,540 | 188 | 549 | 4,288 |
| Loans and receivables | 11,702 | 305 | 14,403 | 97 | 26,507 |
| Other assets | 12 | 182 | 3 | 1 | 198 |
| **TOTAL ASSETS** | **12,045** | **28,681** | **14,755** | **2,679** | **58,160** |
| LIABILITIES | | | | | |
| Trading book | 117 | 447 | 37 | 2,359 | 2,960 |
| Instruments designated as at fair value through profit or loss | | 16 | | 31 | 47 |
| Financial liabilities carried at amortised cost | 1,035 | 20,445 | 1,130 | 1,889 | 24,499 |
| Other liabilities | | 284 | 92 | 11 | 387 |
| **TOTAL LIABILITIES** | **1,152** | **21,192** | **1,259** | **4,290** | **27,893** |
| **MAXIMUM EXPOSURE TO LOSS** | **15,346** | **29,478** | **17,451** | **3,202** | **65,477** |
| **SIZE OF STRUCTURED ENTITIES(2)** | **66,826** | **292,783** | **45,764** | **6,140** | **411,513** |

*(1) Of which EUR 18,431 million representative of unit-linked insurance contracts as at 31 December 2017, invested in funds managed by the BNP Paribas Group (EUR 14,185 million as at 31 December 2016).*

*(2) The size of sponsored structured entities equals the total assets of the structured entity for securitisation vehicles, the net asset value for funds (excluding management mandates) and the structured entity's total assets or the amount of BNP Paribas Group's commitment for asset financing and other structures.*

The BNP Paribas Group's maximum exposure to losses on sponsored structured entities is the carrying amount of the assets, excluding, for available-for-sale financial assets, changes in value taken directly to equity, as well as the nominal amount of the financing commitments and guarantee commitments given and the notional amount of credit default swaps (CDS) sold.

#### Information relative to interests in non-sponsored structured entities

The main interests held by the BNP Paribas Group when it acts solely as an investor in non-sponsored structured entities are detailed below:

- **Units in funds that are not managed by the Group, which are held by the Insurance business line:** as part of the asset allocation strategy corresponding to investments related to the premiums for unit-linked contracts or for the general fund, the Insurance business line subscribes to units of structured entities. These short- or medium-term investments are held for their financial performance and meet the risk diversification criteria inherent to the business. They amounted to EUR 31 billion as at 31 December 2017 (EUR 32 billion as at 31 December 2016). Changes in value and the majority of the risks associated with these investments are borne by policyholders in the case of assets representative of unit-linked contracts, and by the insurer in the case of assets representative of the general fund;
- **Other investments in funds not managed by the Group:** as part of its trading business, the BNP Paribas Group invests in structured entities without any involvement in either managing or structuring these entities (investments in mutual funds, securities funds or alternative funds), particularly as economic hedge for structured products sold to customers. The Group also invests in minority holdings in support of companies as part of its venture capital business. These investments amounted to EUR 8 billion as at 31 December 2017 (EUR 11 billion as at 31 December 2016).
- **Investments in securitisation vehicles:** the breakdown of the Group's exposure and the nature of the securities held are presented in chapter 5 of the Registration document in the section *Securitisation as investor*.

## 7.g COMPENSATION AND BENEFITS AWARDED TO THE GROUP'S CORPORATE OFFICERS

The remuneration and benefits policy relating to the Group's corporate officers, as well as the detailed information on an individual basis, are presented in chapter 2 *Corporate Governance* of the Registration document.

### ➤ REMUNERATION AND BENEFITS AWARDED TO THE GROUP'S CORPORATE OFFICERS

| | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Gross remuneration, including Directors' fees and benefits in kind** | | |
| payable for the year | €6,236,607 | €6,350,378 |
| paid during the year | €8,152,686 | €6,227,427 |
| **Post-employment benefits** | | |
| Retirement bonuses: present value of the benefit obligation (payroll taxes excluded) | €255,440 | €243,574 |
| Defined contribution pension plan: contributions paid by BNP Paribas during the year | €1,295 | €1,274 |
| **Welfare benefits:** premiums paid by BNP Paribas during the year | €12,461 | €8,914 |
| **Share-based payments** | | |
| Stock subscription options | | |
| value of stock options granted during the year | Nil | Nil |
| number of options held at 31 December | 66,840 | 107,854 |
| Performance shares | | |
| value of shares granted during the year | Nil | Nil |
| number of shares held at 31 December | Nil | Nil |
| Long-term compensation | | |
| fair value at grant date (*) | €785,765 | €1,272,417 |

(*) *Valuation according to the method described in note 1.i.*

As at 31 December 2017, no corporate officer is eligible to a contingent collective defined-benefit top-up pension plan.

### Directors' fees paid to members of the Board of Directors

The Directors' fees paid in 2017 to all members of the Board of Directors amount to EUR 1,300,000 (unchanged from the amount paid in 2016). The amount paid in 2017 to members other than corporate officers was EUR 1,175,312, compared with EUR 1,183,190 in 2016.

#### ➤ REMUNERATION AND BENEFITS AWARDED TO DIRECTORS REPRESENTING THE EMPLOYEES

| *In euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Gross remuneration paid during the year | 85,685 | 77,471 |
| Directors' fees (paid to the trade unions) | 182,371 | 176,588 |
| Premiums paid by BNP Paribas during the year into schemes related to *Garantie Vie Professionnelle Accidents* benefits and healthcare expense coverage | 1,478 | 1,512 |
| Contributions paid by BNP Paribas during the year into the defined-contribution plan | 729 | 670 |

### Loans, advances and guarantees granted to the Group's corporate officers

At 31 December 2017, the total outstanding loans granted directly or indirectly to the Group's corporate officers and their spouses amounted to EUR 6,881,664 (EUR 1,197,628 at 31 December 2016). These loans representing normal transactions were carried out on an arm's length basis.



## 7.h OTHER RELATED PARTIES

Other related parties of the BNP Paribas Group comprise consolidated companies (including entities consolidated under the equity method) and entities managing post-employment benefit plans offered to Group employees (except for multi-employer and multi-industry schemes).

Transactions between the BNP Paribas Group and related parties are carried out on an arm's length basis.

### Relations between consolidated companies

A list of companies consolidated by the BNP Paribas Group is provided in note 7.j *Scope of consolidation*. Transactions and outstanding balances between fully-consolidated entities are eliminated. The tables below show transactions with entities accounted for under the equity method.

#### ➤ OUTSTANDING BALANCES OF RELATED-PARTY TRANSACTIONS

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| *In millions of euros* | Joint ventures | Associates[1] | Joint ventures | Associates[1] |
| ASSETS | | | | |
| **Loans, advances and securities** | | | | |
| On demand accounts | 7 | 186 | 1 | 51 |
| Loans | 3,675 | 1,980 | 4,302 | 3,098 |
| Securities | 820 | | 991 | |
| **Securities held in the non-trading portfolio** | **8** | **-** | **14** | **-** |
| **Other assets** | **2** | **130** | **3** | **235** |
| **TOTAL** | **4,512** | **2,296** | **5,311** | **3,384** |
| LIABILITIES | | | | |
| **Deposits** | | | | |
| On demand accounts | 74 | 625 | 94 | 774 |
| Other borrowings | 45 | 2,303 | 195 | 2,431 |
| **Other liabilities** | **16** | **41** | **23** | **81** |
| **TOTAL** | **135** | **2,969** | **312** | **3,286** |
| FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS | | | | |
| **Financing commitments given** | **162** | **822** | **207** | **821** |
| **Guarantee commitments given** | **3,001** | **111** | **3,401** | **371** |
| **TOTAL** | **3,163** | **933** | **3,608** | **1,192** |

*(1) Including controlled but non material entities consolidated under the equity method.*

The Group also carries out trading transactions with related parties involving derivatives (swaps, options and forwards, etc.) and financial instruments purchased or underwritten and issued by them (equities, bonds, etc.).

### ➤ RELATED-PARTY PROFIT AND LOSS ITEMS

| *In millions of euros* | Year to 31 Dec. 2017 | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|
| | Joint ventures | Associates(1) | Joint ventures | Associates(1) |
| Interest income | 14 | 33 | 28 | 43 |
| Interest expense | (1) | (16) | (2) | (16) |
| Commission income | 3 | 393 | 4 | 459 |
| Commission expense | (1) | (13) | (8) | (44) |
| Services provided | 1 | 17 | 1 | 9 |
| Services received | | (5) | | (6) |
| Lease income | | 1 | | 12 |
| **TOTAL** | **16** | **410** | **23** | **457** |

*(1) Including controlled but non material entities consolidated under the equity method.*

### Group entities managing certain post-employment benefit plans offered to Group employees

In Belgium, BNP Paribas Fortis funds a number of pension schemes managed by AG Insurance in which the BNP Paribas Group has a 25% equity interest.

In other countries, post-employment benefit plans are generally managed by independent fund managers or independent insurance companies, and occasionally by Group companies (in particular BNP Paribas Asset Management, BNP Paribas Cardif, Bank of the West and First Hawaiian Bank). In Switzerland, a dedicated foundation manages pension plans for BNP Paribas Suisse's employees.

At 31 December 2017, the value of plan assets managed by Group companies or by companies over which the Group exercises significant influence was EUR 3,916 million (EUR 3,883 million as at 31 December 2016). Amounts received by Group companies in 2017 totalled EUR 4.5 million, and were mainly composed of management and custody fees (compared with EUR 4.3 million in 2016).

## 7.i FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The information supplied in this note must be used and interpreted with the greatest caution for the following reasons:

- These fair values are an estimate of the value of the relevant instruments as at 31 December 2017. They are liable to fluctuate from day to day as a result of changes in various parameters, such as interest rates and credit quality of the counterparty. In particular, they may differ significantly from the amounts actually received or paid on maturity of the instrument. In most cases, the fair value is not intended to be realised immediately, and in practice might not be realised immediately. Consequently, this fair value does not reflect the actual value of the instrument to BNP Paribas as a going concern;
- Most of these fair values are not meaningful, and hence are not taken into account in the management of the commercial banking activities which use these instruments;
- Estimating a fair value for financial instruments carried at historical cost often requires the use of modelling techniques, hypotheses and assumptions that may vary from bank to bank. This means that comparisons between the fair values of financial instruments carried at historical cost as disclosed by different banks may not be meaningful;
- The fair values shown below do not include the fair values of finance lease transactions, non-financial instruments such as property, plant and equipment, goodwill and other intangible assets such as the value attributed to demand deposit portfolios or customer relationships. Consequently, these fair values should not be regarded as the actual contribution of the instruments concerned to the overall valuation of the BNP Paribas Group.

| *In millions of euros* *31 December 2017* | Estimated fair value | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Carrying value |
| **FINANCIAL ASSETS** | | | | | |
| Loans and receivables due from credit institutions *(note 4.f)* | | 45,729 | 30 | 45,759 | 45,670 |
| Loans and receivables due from customers *(note 4.g)*[(1)] | 448 | 44,639 | 665,318 | 710,405 | 698,307 |
| Held-to-maturity financial assets *(note 4.j)* | 5,476 | 29 | | 5,505 | 4,792 |
| **FINANCIAL LIABILITIES** | | | | | |
| Due to credit institutions *(note 4.f)* | | 76,356 | | 76,356 | 76,503 |
| Due to customers *(note 4.g)* | | 767,431 | | 767,431 | 766,890 |
| Debt securities *(note 4.i)* | 49,530 | 100,495 | | 150,025 | 148,156 |
| Subordinated debt *(note 4.i)* | 8,891 | 7,767 | | 16,658 | 15,951 |

*(1) Finance leases excluded.*



| *In millions of euros,* *at 31 December 2016* | Estimated fair value | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Carrying value |
| **FINANCIAL ASSETS** | | | | | |
| Loans and receivables due from credit institutions *(note 4.f)* | | 47,401 | 7 | 47,408 | 47,411 |
| Loans and receivables due from customers *(note 4.g)*[(1)] | 605 | 45,873 | 653,971 | 700,449 | 684,669 |
| Held-to-maturity financial assets *(note 4.j)* | 7,029 | 39 | | 7,068 | 6,100 |
| **FINANCIAL LIABILITIES** | | | | | |
| Due to credit institutions *(note 4.f)* | | 75,541 | | 75,541 | 75,660 |
| Due to customers *(note 4.g)* | | 766,904 | | 766,904 | 765,953 |
| Debt securities *(note 4.i)* | 52,420 | 102,317 | | 154,737 | 153,422 |
| Subordinated debt *(note 4.i)* | 9,098 | 9,227 | | 18,325 | 18,374 |

*(1) Finance leases excluded.*

The valuation techniques and assumptions used by BNP Paribas ensure that the fair value of financial assets and liabilities carried at amortised cost is measured on a consistent basis throughout the Group. Fair value is based on prices quoted in an active market when these are available. In other cases, fair value is determined using valuation techniques such as discounting of estimated future cash flows for loans, liabilities and held-to-maturity financial assets, or specific valuation models for other financial instruments as described in note 1, *Summary of significant accounting policies applied by the BNP Paribas Group*. The description of the fair value hierarchy levels is also presented in the accounting principles (note 1.c.10). In the case of loans, liabilities and held-to-maturity financial assets that have an initial maturity of less than one year (including demand deposits) or of most regulated savings products, fair value equates to carrying amount. These instruments have been classified in Level 2, except for loans to customers, which are classified in Level 3.

## 7.j SCOPE OF CONSOLIDATION

| | | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| BNP Paribas SA | France | | | | | | | | |
| BNPP SA (Argentina branch) | Argentina | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Australia branch) | Australia | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Austria branch) | Austria | Full | 100% | 100% | E2 | | | | |
| BNPP SA (Bahrain branch) | Bahrain | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Belgium branch) | Belgium | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Bulgaria branch) | Bulgaria | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Canada branch) | Canada | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Cayman Islands branch) | Cayman Islands | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Czech Republic branch) | Czech Republic | Full | 100% | 100% | E2 | | | | |
| BNPP SA (Denmark branch) | Denmark | Full | 100% | 100% | E2 | | | | |
| BNPP SA (Finland branch) | Finland | Full | 100% | 100% | E2 | | | | |
| BNPP SA (Germany branch) | Germany | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Hong Kong branch) | Hong Kong | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Hungary branch) | Hungary | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (India branch) | India | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Ireland branch) | Ireland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Italy branch) | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Japan branch) | Japan | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Jersey branch) | Jersey | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Kuwait branch) | Kuwait | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Luxembourg branch) | Luxembourg | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Malaysia branch) | Malaysia | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Monaco branch) | Monaco | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Netherlands branch) | Netherlands | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Norway branch) | Norway | Full | 100% | 100% | E2 | | | | |
| BNPP SA (Panama branch) | Panama | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Philippines branch) | Philippines | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Poland branch) | Poland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Portugal branch) | Portugal | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Qatar branch) | Qatar | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Republic of Korea branch) | Rep. of Korea | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Romania branch) | Romania | Full | 100% | 100% | E2 | | | | |
| BNPP SA (Saudi Arabia branch) | Saudi Arabia | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Singapore branch) | Singapore | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (South Africa branch) | South Africa | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Spain branch) | Spain | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Sweden branch) | Sweden | Full | 100% | 100% | E2 | | | | |
| BNPP SA (Taiwan branch) | Taiwan | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Thailand branch) | Thailand | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (UK branch) | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (United Arab Emirates branch) | United Arab Emirates | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (USA branch) | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SA (Viet Nam branch) | Viet Nam | Full | 100% | 100% | | Full | 100% | 100% | |
| **Retail Banking & Services** | | | | | | | | | |
| **Domestic Markets** | | | | | | | | | |
| **Retail Banking - France** | | | | | | | | | |
| B*Capital | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| Banque de Wallis et Futuna | France | Full (1) | 51.0% | 51.0% | | Full (1) | 51.0% | 51.0% | |
| BNPP Antilles Guyane | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Développement | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Factor | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Factor (Spain branch) | Spain | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Factor Sociedade Financeira de Credito SA | Portugal | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Guadeloupe | France | | | | | | | | S4 |
| BNPP Guyane | France | | | | | | | | S4 |
| BNPP Nouvelle-Calédonie | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Réunion | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| Compagnie pour le Financement des Loisirs | France | Equity | 46.0% | 45.8% | E1 | | | | |
| Copartis | France | Equity | 50.0% | 50.0% | E1 | | | | |
| Portzamparc Société de Bourse | France | Full (1) | 75.5% | 75.5% | V1 | Full (1) | 51.0% | 51.0% | |
| Société Alsacienne de Développement et d'Expansion | France | | | | | | | | S4 |
| **Retail Banking - Belgium** | | | | | | | | | |
| Alpha Card SCRL | Belgium | | | | S2 | Equity | 50.0% | 50.0% | |
| Banking Funding Company SA | Belgium | Equity | 33.5% | 33.5% | E1 | | | | |
| Belgian Mobile Wallet | Belgium | | | | | | | | S3 |
| BNPP Commercial Finance Ltd | UK | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Factor AS | Denmark | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | |
| BNPP Factor Deutschland BV | Netherlands | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Factor GmbH | Germany | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Factor NV | Netherlands | Full | 100% | 99.9% | E1 | | | | |
| BNPP Factoring Coverage Europe Holding NV | Netherlands | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis | Belgium | Full | 99.9% | 99.9% | | Full | 99.9% | 99.9% | |
| BNPP Fortis (Austria branch) | Austria | | | | S1 | Full | 100% | 99.9% | |
| BNPP Fortis (Czech Republic branch) | Czech Republic | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis (Denmark branch) | Denmark | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis (Finland branch) | Finland | | | | S1 | Full | 100% | 99.9% | |
| BNPP Fortis (Germany branch) | Germany | | | | | | | | S1 |
| BNPP Fortis (Netherlands branch) | Netherlands | | | | S1 | Full | 100% | 99.9% | |
| BNPP Fortis (Norway branch) | Norway | | | | S1 | Full | 100% | 99.9% | |
| BNPP Fortis (Romania branch) | Romania | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis (Spain branch) | Spain | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis (Sweden branch) | Sweden | | | | S1 | Full | 100% | 99.9% | |
| BNPP Fortis (USA branch) | USA | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis Factor NV | Belgium | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis Funding SA | Luxembourg | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis Private Equity Belgium | Belgium | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis Private Equity Expansion | Belgium | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis Private Equity Management | Belgium | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | |
| Bpost Banque | Belgium | Equity (3) | 50.0% | 50.0% | | Equity (3) | 50.0% | 50.0% | |
| Credissimo | Belgium | Full | 100% | 99.9% | E1 | | | | |
| Credissimo Hainaut SA | Belgium | Full | 99.7% | 99.7% | E1 | | | | |
| Crédit pour Habitations Sociales | Belgium | Full | 81.7% | 81.6% | E1 | | | | |
| Demetris NV | Belgium | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | |
| Favor Finance | Belgium | Full | 51.0% | 51.0% | E1 | | | | |
| Immobilière Sauvenière SA | Belgium | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | |
| Novy Invest | Belgium | Equity | 33.7% | 33.7% | E1 | | | | |
| Penne International | Belgium | Equity* | 74.9% | 74.9% | E1 | | | | |

*Changes in the scope of consolidation*

***New entries (E) in the scope of consolidation***

- *E1 Passing qualifying thresholds*
- *E2 Incorporation*
- *E3 Purchase, gain of control or significant influence*

***Removals (S) from the scope of consolidation***

- *S1 Cessation of activity (dissolution, liquidation...)*
- *S2 Disposal, loss of control or loss of significant influence*
- *S3 Passing qualifying thresholds*
- *S4 Merger, Universal transfer of assets and liabilities*

***Variance (V) in voting or ownership interest***

- *V1 Additional purchase*
- *V2 Partial disposal*
- *V3 Dilution*
- *V4 Increase in %*

*Equity* Controlled but non material entities consolidated under the equity method as associates*

***Miscellaneous***

- *D1 Consolidation method change not related to fluctuation in voting or ownership interest*

*Prudential scope of consolidation*

- *(1) French subsidiaries whose supervision of prudential requirements is complied with through the supervision on a consolidated basis of BNP Paribas SA, in accordance with article 7.1 of Regulation n°575/2013 of the European Parliament and of the Council.*
- *(2) Insurance entities consolidated under the equity method in the prudential scope.*
- *(3) Jointly controlled entities under proportional consolidation in the prudential scope.*
- *(4) Collective investment undertaking excluded from the prudential scope.*

| | | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| Studio 100 | Belgium | Equity | 32.5% | 32.5% | E1 | | | | |
| ***Structured Entities*** | | | | | | | | | |
| BASS Master Issuer NV | Belgium | Full | - | - | | Full | - | - | |
| Esmee Master Issuer | Belgium | Full | - | - | | Full | - | - | |
| **Retail Banking - Luxembourg** | | | | | | | | | |
| BGL BNPP | Luxembourg | Full | 66.0% | 65.9% | | Full | 66.0% | 65.9% | |
| BGL BNPP (Germany branch) | Germany | Full | 100% | 65.9% | | Full | 100% | 65.9% | |
| BGL BNPP Factor SA | Luxembourg | | | | | | | | S4 |
| BNPP Lease Group Luxembourg SA | Luxembourg | Full | 100% | 65.9% | | Full | 100% | 65.9% | |
| Cofhylux SA | Luxembourg | Full | 100% | 65.9% | | Full | 100% | 65.9% | |
| ***Structured Entities*** | | | | | | | | | |
| Société Immobilière de Monterey SA | Luxembourg | | | | | | | | S2 |
| **Retail Banking - Italy (BNL banca commerciale)** | | | | | | | | | |
| Artigiancassa SPA | Italy | Full | 73.9% | 73.9% | | Full | 73.9% | 73.9% | |
| Banca Nazionale Del Lavoro SPA | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| BNL Finance SPA | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| BNL Positivity SRL | Italy | Full | 100% | 100% | | Full | 100% | 100% | V1 |
| Business Partner Italia SCPA | Italy | Full | 99.9% | 99.8% | | Full | 99.9% | 99.8% | V3 |
| International Factors Italia SPA | Italy | Full | 99.7% | 99.7% | | Full | 99.7% | 99.7% | |
| Servizio Italia SPA | Italy | Equity* | 100% | 100% | | Equity* | 100% | 100% | E1 |
| Sviluppo HQ Tiburtina SRL | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| ***Structured Entities*** | | | | | | | | | |
| EMF IT 2008 1 SRL | Italy | Full | - | - | | Full | - | - | |
| Tierre Securitisation SRL | Italy | Full | - | - | | Full | - | - | E2 |
| Vela ABS SRL | Italy | Full | - | - | | Full | - | - | |
| Vela Consumer 2 SRL | Italy | Full | - | - | E2 | | | | |
| Vela Consumer SRL | Italy | Full | - | - | | Full | - | - | |
| Vela Home SRL | Italy | Full | - | - | | Full | - | - | |
| Vela Mortgages SRL | Italy | Full | - | - | | Full | - | - | |
| Vela OBG SRL | Italy | Full | - | - | | Full | - | - | |
| Vela Public Sector SRL | Italy | | | | | | | | S3 |
| Vela RMBS SRL | Italy | Full | - | - | | Full | - | - | |
| **Arval** | | | | | | | | | |
| Artel | France | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | V3 |
| Arval AB | Sweden | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | V3 |
| Arval AS | Denmark | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | V3 |
| Arval Austria GmbH | Austria | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | V3 |
| Arval Belgium NV SA | Belgium | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Benelux BV | Netherlands | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Brasil Ltda | Brazil | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval BV | Netherlands | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval CZ SRO | Czech Republic | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Deutschland GmbH | Germany | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Fleet Services | France | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Fleet Services BV | Netherlands | | | | S4 | Full | 100% | 99.9% | V3 |
| Arval Hellas Car Rental SA | Greece | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | V3 |
| Arval India Private Ltd | India | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | V3 |
| Arval Italy Fleet Services SRL | Italy | | | | S4 | Full | 100% | 99.9% | V3 |
| Arval Jiutong Co Ltd | China | Equity | 40.0% | 40.0% | | Equity | 40.0% | 40.0% | V3 |
| Arval LLC (Ex- Arval OOO) | Russia | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Luxembourg SA | Luxembourg | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | V3 |
| Arval Magyarorszag KFT | Hungary | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | V3 |
| Arval Maroc SA | Morocco | Equity* | 100% | 89.0% | | Equity* | 100% | 89.0% | V3 |
| Arval OY | Finland | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | V3 |
| Arval Schweiz AG | Switzerland | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | V3 |
| Arval Service Lease | France | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Service Lease Aluger Operational Automoveis SA | Portugal | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | V3 |
| Arval Service Lease Italia SPA | Italy | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Service Lease Polska SP ZOO | Poland | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Service Lease Romania SRL | Romania | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | V3 |
| Arval Service Lease SA | Spain | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval Slovakia SRO | Slovakia | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | V3 |
| Arval Trading | France | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | V3 |
| Arval UK Group Ltd | UK | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval UK Leasing Services Ltd | UK | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Arval UK Ltd | UK | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| BNPP Fleet Holdings Ltd | UK | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Cofiparc | France | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |

| | | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| GE Auto Service Leasing GmbH | Germany | | | | | | | | S4 |
| GE Auto Service Leasing GmbH | Austria | | | | | | | | S4 |
| GE Capital Largo Plazo SL | Spain | | | | | | | | S4 |
| Greenval Insurance DAC (Ex- Greenval Insurance Co Ltd) | Ireland | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | |
| Itelcar Automoveis de Aluguer Unipessoal Lda | Portugal | | | | | | | | S4 |
| Locadif | Belgium | Full | 100% | 99.9% | | Full | 100% | 99.9% | V3 |
| Public Location Longue Durée | France | Full | 100% | 99.9% | D1 | Equity* | 100% | 99.9% | V3 |
| TEB Arval Arac Filo Kiralama AS | Turkey | Full | 100% | 75.0% | | Full | 100% | 75.0% | V3 |
| **Leasing Solutions** | | | | | | | | | |
| Ace Equipment Leasing | Belgium | | | | | | | | S3 |
| Albury Asset Rentals Ltd | UK | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| All In One Vermietung GmbH | Austria | | | | | | | | S3 |
| All In One Vermietungsgesellschaft für Telekommunicationsanlagen mbH | Germany | | | | S3 | Equity* | 100% | 83.0% | |
| Aprolis Finance | France | Full | 51.0% | 42.3% | | Full | 51.0% | 42.3% | |
| Arius | France | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| Artegy | France | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Finansal Kiralama AS | Turkey | Full | 100% | 82.5% | | Full | 100% | 82.5% | |
| BNPP Lease Group | France | Full (1) | 100% | 83.0% | | Full (1) | 100% | 83.0% | |
| BNPP Lease Group (Germany branch) | Germany | Full (1) | 100% | 83.0% | | Full (1) | 100% | 83.0% | |
| BNPP Lease Group (Italy branch) | Italy | Full (1) | 100% | 83.0% | | Full (1) | 100% | 83.0% | |
| BNPP Lease Group (Portugal branch) | Portugal | Full (1) | 100% | 83.0% | | Full (1) | 100% | 83.0% | |
| BNPP Lease Group (Spain branch) | Spain | Full (1) | 100% | 83.0% | | Full (1) | 100% | 83.0% | |
| BNPP Lease Group Belgium | Belgium | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Lease Group KFT | Hungary | | | | S3 | Equity* | 100% | 83.0% | |
| BNPP Lease Group Leasing Solutions SPA | Italy | Full | 100% | 95.5% | | Full | 100% | 95.5% | |
| BNPP Lease Group Lizing RT | Hungary | | | | S3 | Equity* | 100% | 83.0% | |
| BNPP Lease Group PLC | UK | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Lease Group Rentals Ltd | UK | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Lease Group SP ZOO | Poland | Full | 100% | 83.0% | D1 | Equity* | 100% | 83.0% | |
| BNPP Leasing Services | Poland | Full | 100% | 88.3% | E1 | | | | |
| BNPP Leasing Solutions | Luxembourg | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Leasing Solutions IFN SA (Ex- BNPP Lease Group IFN SA) | Romania | Full | 100% | 83.0% | D1 | Equity* | 100% | 83.0% | |
| BNPP Leasing Solutions Ltd | UK | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Leasing Solutions NV | Netherlands | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Leasing Solutions Suisse SA | Switzerland | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| BNPP Rental Solutions Ltd | UK | Full | 100% | 83.0% | D1 | Equity* | 100% | 83.0% | |
| BNPP Rental Solutions SPA (Ex- Locatrice Italiana SPA) | Italy | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| Claas Financial Services | France | Full (1) | 51.0% | 42.3% | V2 | Full (1) | 60.1% | 49.9% | |
| Claas Financial Services (Germany branch) | Germany | Full (1) | 100% | 42.3% | V3 | Full (1) | 100% | 49.9% | |
| Claas Financial Services (Italy branch) | Italy | Full (1) | 100% | 42.3% | V3 | Full (1) | 100% | 49.9% | |
| Claas Financial Services (Poland branch) | Poland | Full (1) | 100% | 42.3% | V3 | Full (1) | 100% | 49.9% | |
| Claas Financial Services (Spain branch) | Spain | Full (1) | 100% | 42.3% | V3 | Full (1) | 100% | 49.9% | |
| Claas Financial Services | USA | | | | | | | | S2 |
| Claas Financial Services Ltd | UK | Full | 51.0% | 42.3% | | Full | 51.0% | 42.3% | |
| CNH Industrial Capital Europe | France | Full (1) | 50.1% | 41.6% | | Full (1) | 50.1% | 41.6% | |
| CNH Industrial Capital Europe (Belgium branch) | Belgium | Full (1) | 100% | 41.6% | | Full (1) | 100% | 41.6% | |
| CNH Industrial Capital Europe (Germany branch) | Germany | Full (1) | 100% | 41.6% | | Full (1) | 100% | 41.6% | |
| CNH Industrial Capital Europe (Italy branch) | Italy | Full (1) | 100% | 41.6% | | Full (1) | 100% | 41.6% | |
| CNH Industrial Capital Europe (Poland branch) | Poland | Full (1) | 100% | 41.6% | | Full (1) | 100% | 41.6% | |
| CNH Industrial Capital Europe (Spain branch) | Spain | Full (1) | 100% | 41.6% | | Full (1) | 100% | 41.6% | |
| CNH Industrial Capital Europe BV | Netherlands | Full | 100% | 41.6% | | Full | 100% | 41.6% | |
| CNH Industrial Capital Europe GmbH | Austria | Full | 100% | 41.6% | | Full | 100% | 41.6% | |
| CNH Industrial Capital Europe Ltd | UK | Full | 100% | 41.6% | | Full | 100% | 41.6% | |
| Commercial Vehicle Finance Ltd | UK | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| ES Finance | Belgium | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| Fortis Lease | France | Full (1) | 100% | 83.0% | | Full (1) | 100% | 83.0% | |
| Fortis Lease Belgium | Belgium | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| Fortis Lease Deutschland GmbH | Germany | Full | 100% | 83.0% | D1 | Equity* | 100% | 83.0% | |
| Fortis Lease Iberia SA | Spain | Full | 100% | 86.6% | D1 | Equity* | 100% | 86.6% | |

| | | 31 December 2017 | | | | | 31 December 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | | Voting (%) | Interest (%) | Ref. | Method | | Voting (%) | Interest (%) | Ref. |
| Fortis Lease Operativ Lizing ZRT | Hungary | | | | | | | | | | S1 |
| Fortis Lease Portugal | Portugal | Full | | 100% | 83.0% | D1 | Equity* | | 100% | 83.0% | |
| Fortis Lease UK Ltd | UK | Equity* | | 100% | 83.0% | | Equity* | | 100% | 83.0% | |
| Fortis Lease UK Retail Ltd | UK | | | | | | | | | | S3 |
| Fortis Vastgoedlease BV | Netherlands | Equity* | | 100% | 83.0% | | Equity* | | 100% | 83.0% | |
| HFGL Ltd | UK | | | | | | | | | | S1 |
| Humberclyde Commercial Investments Ltd | UK | Full | | 100% | 83.0% | | Full | | 100% | 83.0% | |
| Humberclyde Commercial Investments N°1 Ltd | UK | | | | | | | | | | S1 |
| JCB Finance | France | Full | (1) | 100% | 41.6% | | Full | (1) | 100% | 41.6% | |
| JCB Finance (Germany branch) | Germany | Full | (1) | 100% | 41.6% | | Full | (1) | 100% | 41.6% | |
| JCB Finance (Italy branch) | Italy | Full | (1) | 100% | 41.6% | | Full | (1) | 100% | 41.6% | |
| JCB Finance Holdings Ltd | UK | Full | | 50.1% | 41.6% | | Full | | 50.1% | 41.6% | |
| Manitou Finance Ltd | UK | Full | | 51.0% | 42.3% | | Full | | 51.0% | 42.3% | |
| MFF | France | Full | (1) | 51.0% | 42.3% | | Full | (1) | 51.0% | 42.3% | |
| Natio Energie 2 | France | | | | | | | | | | S3 |
| Natiocredibail | France | Full | (1) | 100% | 100% | | Full | (1) | 100% | 100% | |
| RD Portofoliu SRL | Romania | | | | | S3 | Equity* | | 100% | 83.0% | |
| Same Deutz Fahr Finance | France | Full | (1) | 100% | 83.0% | | Full | (1) | 100% | 83.0% | |
| Same Deutz Fahr Finance Ltd | UK | Full | | 100% | 83.0% | | Full | | 100% | 83.0% | |
| SNC Natiocredimurs | France | Full | (1) | 100% | 100% | | Full | (1) | 100% | 100% | |
| SREI Equipement Finance Ltd | India | | | | | | | | | | S2 |
| ***Structured Entities*** | | | | | | | | | | | |
| BNPP B Institutional II Short Term | Belgium | | | | | S3 | Full | | - | - | |
| BNPP B Institutional II Treasury 17 | Belgium | Full | | - | - | E1 | | | | | |
| FL Zeebrugge | Belgium | Equity* | | - | - | E1 | | | | | |
| Folea Grundstucksverwaltungs und Vermietungs GmbH & Co | Germany | Equity* | | - | - | E1 | | | | | |
| **New Digital Businesses** | | | | | | | | | | | |
| Financière des Paiements Electroniques | France | Full | | 95.0% | 95.0% | E3 | | | | | |
| Lyf SA | France | Equity | (3) | 43.5% | 43.5% | E3 | | | | | |
| Lyf SAS | France | Equity | (3) | 43.3% | 43.3% | E3 | | | | | |
| **Personal Investors** | | | | | | | | | | | |
| Geojit BNPP Financial Services Ltd | India | | | | | | | | | | S2 |
| Geojit Technologies Private Ltd | India | Equity | | 35.0% | 35.0% | | Equity | | 35.0% | 35.0% | |
| Hellobank BNPP Austria AG | Austria | | | | | S4 | Full | | 100% | 100% | |
| Human Value Developers Private Ltd | India | Full | | 100% | 100% | | Full | | 100% | 100% | E3 |
| Sharekhan Financial Services Private Ltd | India | Full | | 100% | 100% | D1 | Equity* | | 100% | 100% | E3 |
| Sharekhan Ltd | India | Full | | 100% | 100% | | Full | | 100% | 100% | E3 |
| **International Financial Services** | | | | | | | | | | | |
| **BNP Paribas Personal Finance** | | | | | | | | | | | |
| Alpha Crédit SA | Belgium | Full | | 100% | 99.9% | | Full | | 100% | 99.9% | |
| Axa Banque Financement | France | Equity | | 35.0% | 35.0% | | Equity | | 35.0% | 35.0% | |
| Banco BNPP Personal Finance SA | Portugal | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Banco Cetelem Argentina SA | Argentina | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Banco Cetelem SA | Brazil | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Banco Cetelem SAU | Spain | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Banco de Servicios Financieros SA | Argentina | Equity | | 40.0% | 40.0% | | Equity | | 40.0% | 40.0% | |
| Banque Solfea | France | Equity | (3) | 45.0% | 45.0% | | Equity | (3) | 45.0% | 45.0% | V4 |
| BGN Mercantil E Servicos Ltda | Brazil | Full | | 100% | 100% | D1 | Equity* | | 100% | 100% | |
| BNPP Personal Finance | France | Full | | 100% | 100% | | Full | | 100% | 100% | |
| BNPP Personal Finance (Austria branch) | Austria | Full | | 100% | 100% | | Full | | 100% | 100% | E2 |
| BNPP Personal Finance (Czech Republic branch) | Czech Republic | Full | | 100% | 100% | | Full | | 100% | 100% | |
| BNPP Personal Finance (Slovakia branch) | Slovakia | Full | | 100% | 100% | | Full | | 100% | 100% | E2 |
| BNPP Personal Finance BV | Netherlands | Full | | 100% | 100% | | Full | | 100% | 100% | |
| BNPP Personal Finance EAD | Bulgaria | Full | | 100% | 100% | | Full | | 100% | 100% | |
| BNPP Personal Finance SA de CV | Mexico | Full | | 100% | 100% | | Full | | 100% | 100% | |
| BNPP Personal Finance South Africa Ltd (Ex- RCS Investment Holdings Ltd) | South Africa | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Cafineo | France | Full | (1) | 51.0% | 50.8% | | Full | (1) | 51.0% | 50.8% | |
| Carrefour Banque | France | Equity | | 40.0% | 40.0% | | Equity | | 40.0% | 40.0% | |
| Cetelem America Ltda | Brazil | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Cetelem Bank LLC | Russia | Equity | | 20.8% | 20.8% | | Equity | | 20.8% | 20.8% | |
| Cetelem IFN | Romania | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Cetelem Servicos Ltda | Brazil | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | D1 |
| Cetelem Slovensko AS | Slovakia | | | | | | | | | | S4 |
| CMV Mediforce | France | Full | (1) | 100% | 100% | | Full | (1) | 100% | 100% | |
| Cofica Bail | France | Full | (1) | 100% | 100% | | Full | (1) | 100% | 100% | |
| Cofiplan | France | Full | (1) | 100% | 100% | | Full | (1) | 100% | 100% | |
| Commerz Finanz | Germany | | | | | S4 | Full | | 50.1% | 50.1% | |
| Creation Consumer Finance Ltd | UK | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Creation Financial Services Ltd | UK | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Crédit Moderne Antilles Guyane | France | Full | (1) | 100% | 100% | | Full | (1) | 100% | 100% | |
| Crédit Moderne Océan Indien | France | Full | (1) | 97.8% | 97.8% | | Full | (1) | 97.8% | 97.8% | |
| Direct Services EAD | Bulgaria | | | | | S4 | Full | | 100% | 100% | |
| Domofinance | France | Full | (1) | 55.0% | 55.0% | | Full | (1) | 55.0% | 55.0% | |
| Effico | France | Equity | | 24.5% | 24.5% | V2 | Full | | 100% | 100% | |
| Ekspres Bank AS | Denmark | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Ekspres Bank AS (Norway branch) | Norway | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Eos Aremas Belgium SA NV | Belgium | Equity | | 50.0% | 49.9% | | Equity | | 50.0% | 49.9% | |
| Fidecom | France | | | | | S4 | Full | | 82.4% | 82.4% | |
| Fimestic Expansion SA | Spain | | | | | | | | | | S4 |
| Findomestic Banca SPA | Italy | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Findomestic Banka AD | Serbia | | | | | S2 | Equity* | | 100% | 100% | D1 |
| GCC Consumo Establecimiento Financiero de Credito SA | Spain | Full | | 51.0% | 51.0% | D1 | Equity* | | 51.0% | 51.0% | E1 |
| Genius Auto Finance Co Ltd | China | Equity | (3) | 20.0% | 20.0% | E1 | | | | | |
| Gesellschaft für Capital & Vermögensverwaltung GmbH | Germany | Equity* | | 100% | 99.9% | | Equity* | | 100% | 99.9% | |
| Inkasso Kodat GmbH & Co KG | Germany | Equity* | | 100% | 99.9% | | Equity* | | 100% | 99.9% | |
| International Development Resources AS Services SA (ex Effico Iberia) | Spain | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Laser ABS 2017 Holding Ltd | UK | Full | | 100% | 100% | E1 | | | | | |
| Leval 20 | France | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Loisirs Finance | France | Full | (1) | 51.0% | 51.0% | | Full | (1) | 51.0% | 51.0% | |
| Magyar Cetelem Bank ZRT | Hungary | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Norrsken Finance | France | Full | (1) | 100% | 100% | | Full | (1) | 100% | 100% | V1 |
| Olympia SAS | France | Full | | 50.0% | 50.0% | E2 | | | | | |
| Oney Magyarorszag ZRT | Hungary | Equity | | 40.0% | 40.0% | | Equity | | 40.0% | 40.0% | |
| Opel Bank | France | Full | | 50.0% | 50.0% | E3 | | | | | |
| Opel Bank GmbH | Germany | Full | | 100% | 50.0% | E3 | | | | | |
| Opel Bank GmbH (Greece branch) | Greece | Full | | 100% | 50.0% | E3 | | | | | |
| Opel Bank GmbH (Ireland branch) | Ireland | Full | | 100% | 50.0% | E3 | | | | | |

***Changes in the scope of consolidation***

***New entries (E) in the scope of consolidation***

*E1 Passing qualifying thresholds*
*E2 Incorporation*
*E3 Purchase, gain of control or significant influence*

***Removals (S) from the scope of consolidation***

*S1 Cessation of activity (dissolution, liquidation...)*
*S2 Disposal, loss of control or loss of significant influence*
*S3 Passing qualifying thresholds*
*S4 Merger, Universal transfer of assets and liabilities*

***Variance (V) in voting or ownership interest***

*V1 Additional purchase*
*V2 Partial disposal*
*V3 Dilution*
*V4 Increase in %*

*Equity* Controlled but non material entities consolidated under the equity method as associates*

***Miscellaneous***

*D1 Consolidation method change not related to fluctuation in voting or ownership interest*

***Prudential scope of consolidation***

*(1) French subsidiaries whose supervision of prudential requirements is complied with through the supervision on a consolidated basis of BNP Paribas SA, in accordance with article 7.1 of Regulation n°575/2013 of the European Parliament and of the Council.*
*(2) Insurance entities consolidated under the equity method in the prudential scope.*
*(3) Jointly controlled entities under proportional consolidation in the prudential scope.*
*(4) Collective investment undertaking excluded from the prudential scope.*

| Name | Country | 31 December 2017 Method | | Voting (%) | Interest (%) | Ref. | 31 December 2016 Method | | Voting (%) | Interest (%) | Ref. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Opel Finance | Belgium | Equity* | | 100% | 50.0% | E3 | | | | | |
| Opel Finance AB | Sweden | Equity* | | 100% | 50.0% | E3 | | | | | |
| Opel Finance Germany Holdings GmbH | Germany | Full | | 100% | 50.0% | E3 | | | | | |
| Opel Finance International BV | Netherlands | Full | | 100% | 50.0% | E3 | | | | | |
| Opel Finance NV | Netherlands | Equity* | | 100% | 50.0% | E3 | | | | | |
| Opel Finance NV (Belgium branch) | Belgium | Equity* | | 100% | 50.0% | E3 | | | | | |
| Opel Finance SA | Switzerland | Equity* | | 100% | 50.0% | E3 | | | | | |
| Opel Finance SPA | Italy | Full | | 100% | 50.0% | E3 | | | | | |
| Opel Leasing GmbH | Germany | Full | | 100% | 50.0% | E3 | | | | | |
| Opel Leasing GmbH (Austria branch) | Austria | Full | | 100% | 50.0% | E3 | | | | | |
| OPVF Europe Holdco Ltd | UK | Full | | 100% | 50.0% | E3 | | | | | |
| OPVF Holdings UK Ltd | UK | Full | | 100% | 50.0% | E3 | | | | | |
| Prêts et Services SAS | France | | | | | S4 | Full | (1) | 100% | 100% | |
| Projeo | France | Full | (1) | 100% | 100% | | Full | (1) | 100% | 100% | |
| RCS Cards Pty Ltd | South Africa | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Retail Mobile Wallet | France | | | | | S4 | Full | | 100% | 100% | |
| Servicios Financieros Carrefour EFC SA | Spain | Equity | | 37.3% | 40.0% | | Equity | | 37.3% | 40.0% | |
| Sevenday Finans AB | Sweden | Full | | 100% | 100% | E3 | | | | | |
| Sundaram BNPP Home Finance Ltd | India | Equity | (3) | 49.9% | 49.9% | | Equity | | 49.9% | 49.9% | |
| Suning Consumer Finance Co Ltd | China | Equity | | 15.0% | 15.0% | | Equity | | 15.0% | 15.0% | E1 |
| Sygma Funding Two Ltd | UK | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Symag | France | Full | | 100% | 100% | | Full | | 100% | 100% | |
| TEB Finansman AS | Turkey | Full | | 100% | 92.8% | | Full | | 100% | 92.8% | |
| UCB Ingatlanhitel ZRT | Hungary | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Union de Creditos Inmobiliarios SA | Spain | Equity | (3) | 50.0% | 50.0% | | Equity | (3) | 50.0% | 50.0% | |
| Vauxhall Finance PLC | UK | Full | | 100% | 50.0% | E3 | | | | | |
| Von Essen Bank GmbH | Germany | Full | | 100% | 99.9% | | Full | | 100% | 99.9% | |
| ***Structured Entities*** | | | | | | | | | | | |
| B Carat | Belgium | Equity* | | - | - | E3 | | | | | |
| Cartolarizzazione Auto Receivable's SRL | Italy | Full | | - | - | E3 | | | | | |
| Cofinoga Funding Two LP | UK | Full | | - | - | | Full | | - | - | |
| Ecarat 4 PLC | UK | Full | | - | - | E3 | | | | | |
| Ecarat 5 PLC | UK | Full | | - | - | E3 | | | | | |
| Ecarat 6 PLC | UK | Full | | - | - | E3 | | | | | |
| Ecarat 7 PLC | UK | Full | | - | - | E3 | | | | | |
| Ecarat 8 PLC | UK | Full | | - | - | E3 | | | | | |
| Ecarat SA | Luxembourg | Full | | - | - | E3 | | | | | |
| FCC Retail ABS Finance Noria 2009 | France | | | | | S1 | Full | | - | - | |
| FCT F Carat | France | Full | | - | - | E3 | | | | | |
| Florence 1 SRL | Italy | Full | | - | - | | Full | | - | - | |
| Florence SPV SRL | Italy | Full | | - | - | | Full | | - | - | |
| I Carat SRL | Italy | Full | | - | - | E3 | | | | | |
| Laser ABS 2017 PLC | UK | Full | | - | - | E1 | | | | | |
| Noria 2015 | France | | | | | S1 | Full | | - | - | |
| Phedina Hypotheken 2010 BV | Netherlands | Full | | - | - | | Full | | - | - | |
| Phedina Hypotheken 2011 I BV | Netherlands | | | | | | | | | | S1 |
| Phedina Hypotheken 2013 I BV | Netherlands | Full | | - | - | | Full | | - | - | |
| Securely Transferred Auto Receivables II SA | Luxembourg | Full | | - | - | E3 | | | | | |
| Securitisation funds Autonoria (a) | France | Full | | - | - | | Full | | - | - | |
| Securitisation funds Domos (b) | France | Full | | - | - | | Full | | - | - | |
| Securitisation funds UCI and Prado (c) | Spain | Equity | (3) | - | - | | Equity | (3) | - | - | |
| Vault Funding Ltd | UK | Full | | - | - | E3 | | | | | |
| Warf 2012 Ltd | UK | Full | | - | - | E3 | | | | | |
| **International Retail Banking - BancWest** | | | | | | | | | | | |
| 1897 Services Corp | USA | Full | | 100% | 100% | | Full | | 100% | 100% | |
| BancWest Corp | USA | Full | | 100% | 100% | | Full | | 100% | 100% | E2 |
| BancWest Holding Inc | USA | Full | | 100% | 100% | | Full | | 100% | 100% | E2 |
| BancWest Investment Services Inc | USA | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Bank of the West | USA | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Bank of the West (Cayman Islands branch) | Cayman Islands | | | | | | | | | | S1 |
| Bishop Street Capital Management Corp | USA | Full | | 100% | 61.9% | V3 | Full | | 100% | 82.6% | V3 |
| Center Club Inc | USA | Full | | 100% | 61.9% | V3 | Full | | 100% | 82.6% | V3 |
| CFB Community Development Corp | USA | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Claas Financial Services LLC | USA | Full | | 51.0% | 51.0% | | Full | | 51.0% | 51.0% | V2 |
| Commercial Federal Affordable Housing Inc | USA | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Commercial Federal Community Development Corp | USA | Full | | 100% | 100% | | Full | | 100% | 100% | |
| Commercial Federal Insurance Corp | USA | Full | | 100% | 100% | | Full | | 100% | 100% | |

| Name | Country | 31 December 2017 Method | Voting (%) | Interest (%) | Ref. | 31 December 2016 Method | Voting (%) | Interest (%) | Ref. |
|---|---|---|---|---|---|---|---|---|---|
| Commercial Federal Investment Service Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| FHB Guam Trust Co | USA | | | | S1 | Full | 100% | 82.6% | V3 |
| FHL SPC One Inc | USA | Full | 100% | 61.9% | V3 | Full | 100% | 82.6% | V3 |
| First Bancorp | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| First Hawaiian Bank | USA | Full | 100% | 61.9% | V3 | Full | 100% | 82.6% | V3 |
| First Hawaiian Inc | USA | Full | 61.9% | 61.9% | V2 | Full | 82.6% | 82.6% | V2 |
| First Hawaiian Leasing Inc | USA | Full | 100% | 61.9% | V3 | Full | 100% | 82.6% | V3 |
| First National Bancorporation | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| First Santa Clara Corp | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Liberty Leasing Co | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Mountain Falls Acquisition Corp | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Real Estate Delivery 2 Inc | USA | Full | 100% | 61.9% | V3 | Full | 100% | 82.6% | V3 |
| The Bankers Club Inc | USA | Full | 100% | 61.9% | V3 | Full | 100% | 82.6% | V3 |
| Ursus Real Estate Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| ***Structured Entities*** | | | | | | | | | |
| Bank of the West Auto Trust 2014-1 | USA | Full | - | - | | Full | - | - | |
| Bank of the West Auto Trust 2015-1 | USA | Full | - | - | | Full | - | - | |
| Bank of the West Auto Trust 2016-2 | USA | Full | - | - | | Full | - | - | E2 |
| Bank of the West Auto Trust 2017-1 (Ex- Bank of the West Auto Trust 2016-1) | USA | Full | - | - | | Full | - | - | |
| BOW Auto Receivables LLC | USA | Full | - | - | | Full | - | - | |
| Equipment Lot FH | USA | | | | | | | | S2 |
| Equipment Lot Siemens 1998A FH | USA | | | | | | | | S3 |
| Glendale Corporate Center Acquisition LLC | USA | Full | - | - | | Full | - | - | |
| LACMTA Rail Statutory Trust FH1 | USA | Full | - | - | | Full | - | - | |
| Lexington Blue LLC | USA | | | | | | | | S2 |
| Riverwalk Village Three Holdings LLC | USA | | | | S1 | Full | - | - | |
| Santa Rita Townhomes Acquisition LLC | USA | | | | S1 | Full | - | - | |
| ST 2001 FH 1 Statutory Trust | USA | Full | - | - | | Full | - | - | |
| SWB 99-1 | USA | | | | | | | | S2 |
| VTA 1998 FH | USA | Full | - | - | | Full | - | - | |
| **International Retail Banking - Europe-Mediterranean** | | | | | | | | | |
| Bank BGZ BNPP SA | Poland | Full | 88.3% | 88.3% | | Full | 88.3% | 88.3% | |
| Bank of Nanjing | China | Equity | 18.2% | 18.2% | V2 | Equity | 18.9% | 18.9% | V1 |
| Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire | Ivory Coast | Full | 59.8% | 59.8% | | Full | 59.8% | 59.8% | |
| Banque Internationale pour le Commerce et l'Industrie de la Guinée | Guinea | Full | 55.6% | 55.6% | | Full | 55.6% | 55.6% | D1 |
| Banque Internationale pour le Commerce et l'Industrie du Burkina Faso | Burkina Faso | Full | 51.0% | 51.0% | | Full | 51.0% | 51.0% | |
| Banque Internationale pour le Commerce et l'Industrie du Gabon | Gabon | Equity | 47.0% | 47.0% | | Equity | 47.0% | 47.0% | |
| Banque Internationale pour le Commerce et l'Industrie du Mali | Mali | Full | 85.0% | 85.0% | | Full | 85.0% | 85.0% | |
| Banque Internationale pour le Commerce et l'Industrie du Sénégal | Senegal | Full | 54.1% | 54.1% | | Full | 54.1% | 54.1% | |
| Banque Marocaine pour le Commerce et l'Industrie | Morocco | Full | 67.0% | 67.0% | | Full | 67.0% | 67.0% | V4 |
| Banque Marocaine pour le Commerce et l'Industrie Banque Offshore | Morocco | Full | 100% | 67.0% | | Full | 100% | 67.0% | V4 |
| BGZ BNPP Faktoring Spolka ZOO | Poland | Full | 100% | 100% | E1 | | | | |
| BICI Bourse | Ivory Coast | Equity* | 90.0% | 53.5% | | Equity* | 90.0% | 53.5% | |
| BMCI Asset Management | Morocco | | | | S3 | Equity* | 100% | 67.0% | V4 |
| BMCI Assurance SARL | Morocco | | | | S3 | Equity* | 100% | 67.0% | V4 |
| BMCI Leasing | Morocco | Full | 86.9% | 58.2% | | Full | 86.9% | 58.2% | V4 |
| BNPP El Djazair | Algeria | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Fortis Yatirimlar Holding AS | Turkey | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP IRB Participations | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Yatirimlar Holding AS | Turkey | Full | 100% | 100% | | Full | 100% | 100% | |
| IC Axa Insurance JSC | Ukraine | Equity | 49.8% | 29.9% | | Equity | 49.8% | 29.9% | V2 |
| Sygma Bank Polska SA | Poland | | | | | | | | S4 |
| TEB Faktoring AS | Turkey | Full | 100% | 72.5% | | Full | 100% | 72.5% | V4 |
| TEB Holding AS | Turkey | Full | 50.0% | 50.0% | | Full | 50.0% | 50.0% | |
| TEB Portfoy Yonetimi AS | Turkey | Full | 100% | 72.5% | | Full | 100% | 72.5% | |
| TEB SH A | Serbia | Full | 100% | 50.0% | | Full | 100% | 50.0% | |
| TEB Yatirim Menkul Degerler AS | Turkey | Full | 100% | 72.5% | | Full | 100% | 72.5% | V4 |
| Turk Ekonomi Bankasi AS | Turkey | Full | 100% | 72.5% | | Full | 100% | 72.5% | V4 |
| UkrSibbank Public JSC | Ukraine | Full | 60.0% | 60.0% | | Full | 60.0% | 60.0% | V2 |
| Union Bancaire pour le Commerce et l'Industrie | Tunisia | Full | 50.1% | 50.1% | | Full | 50.1% | 50.1% | |

| | | 31 December 2017 | | | | | 31 December 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | | Voting (%) | Interest (%) | Ref. | Method | | Voting (%) | Interest (%) | Ref. |
| ***Structured Entities*** | | | | | | | | | | | |
| BGZ Poland ABS1 DAC | Ireland | Full | | - | - | E1 | | | | | |
| **Insurance** | | | | | | | | | | | |
| AG Insurance | Belgium | Equity | | 25.0% | 25.0% | | Equity | | 25.0% | 25.0% | |
| BNPP Cardif | France | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| BNPP Cardif BV | Netherlands | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| BNPP Cardif Compania de Seguros y Reaseguros SA (Ex- Cardif del Peru Compania de Seguros SA) | Peru | Equity* | | 100% | 100% | E1 | | | | | |
| BNPP Cardif Emeklilik AS | Turkey | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | D1 |
| BNPP Cardif General Insurance Co Ltd | Rep. of Korea | Equity* | | 90.0% | 90.0% | V1 | Equity* | | 79.6% | 79.6% | V4 |
| BNPP Cardif Hayat Sigorta AS | Turkey | Equity* | | 100% | 100% | E1 | | | | | |
| BNPP Cardif Levensverzekeringen NV | Netherlands | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| BNPP Cardif Pojistovna AS | Czech Republic | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| BNPP Cardif PSC Ltd | UK | | | | | | | | | | S3 |
| BNPP Cardif Schadeverzekeringen NV | Netherlands | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| BNPP Cardif Seguros de Vida SA | Chile | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| BNPP Cardif Seguros Generales SA | Chile | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| BNPP Cardif Servicios y Asistencia Ltda | Chile | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| BNPP Cardif TCB Life Insurance Co Ltd | Taiwan | Equity | | 49.0% | 49.0% | | Equity | | 49.0% | 49.0% | |
| BNPP Cardif Vita Compagnia di Assicurazione E Riassicurazione SPA | Italy | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| BOB Cardif Life Insurance Co Ltd | China | Equity | | 50.0% | 50.0% | | Equity | | 50.0% | 50.0% | |
| Capital France Hotel | France | Full | (2) | 98.6% | 98.6% | E1 | | | | | |
| Cardif Assurance Vie | France | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Austria branch) | Austria | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Belgium branch) | Belgium | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Bulgaria branch) | Bulgaria | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Germany branch) | Germany | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Italy branch) | Italy | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Japan branch) | Japan | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Portugal branch) | Portugal | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Romania branch) | Romania | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Spain branch) | Spain | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Switzerland branch) | Switzerland | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurance Vie (Taiwan branch) | Taiwan | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers | France | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Austria branch) | Austria | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Belgium branch) | Belgium | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Bulgaria branch) | Bulgaria | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Germany branch) | Germany | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Italy branch) | Italy | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Japan branch) | Japan | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Luxembourg branch) | Luxembourg | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Poland branch) | Poland | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Portugal branch) | Portugal | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Romania branch) | Romania | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Spain branch) | Spain | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Switzerland branch) | Switzerland | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Assurances Risques Divers (Taiwan branch) | Taiwan | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Biztosito Magyarorszag ZRT | Hungary | | | | | | | | | | S3 |
| Cardif Colombia Seguros Generales SA | Colombia | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif do Brasil Seguros e Garantias SA | Brazil | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif do Brasil Vida e Previdencia SA | Brazil | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif El Djazair | Algeria | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Cardif Forsakring AB | Sweden | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Cardif Forsakring AB (Denmark branch) | Denmark | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Cardif Forsakring AB (Norway branch) | Norway | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Cardif I Services | France | | | | | S3 | Equity* | | 100% | 100% | |
| Cardif IARD | France | Equity* | | 83.3% | 83.3% | E1 | | | | | |
| Cardif Insurance Co LLC | Russia | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Life Insurance Co Ltd | Rep. of Korea | Full | (2) | 85.0% | 85.0% | | Full | (2) | 85.0% | 85.0% | |
| Cardif Livforsakring AB | Sweden | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Cardif Livforsakring AB (Denmark branch) | Denmark | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Cardif Livforsakring AB (Norway branch) | Norway | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Cardif Lux Vie | Luxembourg | Full | (2) | 66.7% | 55.3% | | Full | (2) | 66.7% | 55.3% | |
| Cardif Mexico Seguros de Vida SA de CV | Mexico | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Cardif Mexico Seguros Generales SA de CV | Mexico | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Cardif Nordic AB | Sweden | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Osiguranje Dionicko Drustvo ZA | Croatia | | | | | S2 | Equity* | | 100% | 100% | |
| Cardif Pinnacle Insurance Holdings PLC | UK | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Pinnacle Insurance Management Services PLC | UK | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Polska Towarzystwo Ubezpieczen Na Zycie SA | Poland | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | D1 |
| Cardif Seguros SA | Argentina | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Cardif Services SAS | France | | | | | | | | | | S3 |
| Cardif Servicios SA | Argentina | Equity* | | 100% | 100% | E1 | | | | | |
| Cardimmo | France | Full | (2) | 100% | 100% | | Full | (2) | - | - | |
| Cargeas Assicurazioni SPA | Italy | Full | (2) | 100% | 100% | V1 | Equity | | 50.0% | 50.0% | |
| Carma Grand Horizon SARL | France | Full | (2) | 100% | 100% | E1 | | | | | |
| CB UK Ltd | UK | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| CFH Algonquin Management Partners France Italia | Italy | Full | (2) | 100% | 98.6% | E1 | | | | | |
| CFH Bercy | France | Full | (2) | 100% | 98.6% | E1 | | | | | |
| CFH Bercy Hotel | France | Full | (2) | 100% | 98.6% | E1 | | | | | |
| CFH Bercy Intermédiaire | France | Full | (2) | 100% | 98.6% | E1 | | | | | |
| CFH Boulogne | France | Full | (2) | 100% | 98.6% | E1 | | | | | |
| CFH Cap d'Ail | France | Full | (2) | 100% | 98.6% | E1 | | | | | |
| CFH Milan Holdco SRL | Italy | Full | (2) | 100% | 98.6% | E1 | | | | | |
| CFH Montmartre | France | Full | (2) | 100% | 98.6% | E1 | | | | | |
| CFH Montparnasse | France | Full | (2) | 100% | 98.6% | E1 | | | | | |
| Corosa | France | Full | (2) | 100% | 100% | E1 | | | | | |
| Darnell DAC (Ex- Darnell Ltd) | Ireland | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| GIE BNPP Cardif | France | Full | (2) | 100% | 99.0% | | Full | (2) | 100% | 99.0% | |
| Hibernia France | France | Full | (2) | 100% | 98.6% | E1 | | | | | |
| Icare | France | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Icare Assurance | France | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Luizaseg | Brazil | Equity | | 50.0% | 50.0% | | Equity | | 50.0% | 50.0% | |
| Natio Assurance | France | Equity | | 50.0% | 50.0% | | Equity | | 50.0% | 50.0% | |
| NCVP Participacoes Societarias SA | Brazil | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Pinnacle Insurance PLC | UK | Full | (2) | 100% | 100% | | Full | (2) | 100% | 100% | |
| Pocztylion Arka Powszechne Towarzystwo Emerytalne SA | Poland | | | | | | | | | | S3 |
| Poistovna Cardif Slovakia AS | Slovakia | Equity* | | 100% | 100% | | Equity* | | 100% | 100% | |
| Reumal Investissements | France | Full | (2) | 100% | 100% | E1 | | | | | |
| Rueil Ariane | France | Full | (2) | 100% | 100% | E1 | | | | | |
| SAS HVP | France | Full | (2) | 100% | 98.6% | E1 | | | | | |
| SCI 68 70 Rue de Lagny Montreuil | France | Full | (2) | 100% | 100% | E1 | | | | | |
| SCI BNPP Pierre I | France | Full | (2) | 100% | 100% | E1 | | | | | |

*(a) As at 31 December 2017 and 31 December 2016, the securitisation funds Autonoria includes 1 silo (Autonoria 2014).*
*(b) As at 31 December 2017, the securitisation funds Domos include 3 funds: Domos 2008, Domos 2011 with its 2 silos (Domos 2011-A and Domos 2011-B) and Domos 2017, Versus 2 funds: Domos 2008, Domos 2011 with its 2 silos (Domos 2011-A and Domos 2011-B) as at 31 December 2016.*
*(c) As at 31 December 2017, the securitisation funds UCI and Prado include 14 funds (FCC UCI 9 to 12, 14 to 18 and RMBS Prado I to V), versus 14 funds (FCC UCI 7 to 12, 14 to 18 and RMBS Prado I to III) as at 31 December 2016.*

***Changes in the scope of consolidation***

***New entries (E) in the scope of consolidation***
*E1 Passing qualifying thresholds*
*E2 Incorporation*
*E3 Purchase, gain of control or significant influence*

***Removals (S) from the scope of consolidation***
*S1 Cessation of activity (dissolution, liquidation...)*
*S2 Disposal, loss of control or loss of significant influence*
*S3 Passing qualifying thresholds*
*S4 Merger, Universal transfer of assets and liabilities*

***Variance (V) in voting or ownership interest***
*V1 Additional purchase*
*V2 Partial disposal*
*V3 Dilution*
*V4 Increase in %*
*Equity* Controlled but non material entities consolidated under the equity method as associates*

***Miscellaneous***
*D1 Consolidation method change not related to fluctuation in voting or ownership interest*

***Prudential scope of consolidation***
*(1) French subsidiaries whose supervision of prudential requirements is complied with through the supervision on a consolidated basis of BNP Paribas SA, in accordance with article 7.1 of Regulation n°575/2013 of the European Parliament and of the Council.*
*(2) Insurance entities consolidated under the equity method in the prudential scope.*
*(3) Jointly controlled entities under proportional consolidation in the prudential scope.*
*(4) Collective investment undertaking excluded from the prudential scope.*

| Name | Country | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| SCI BNPP Pierre II | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Bobigny Jean Rostand | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Cardif Logement | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Citylight Boulogne | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Défense Étoile | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Défense Vendôme | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Étoile du Nord | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Fontenay Plaisance | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Le Mans Gare | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Nanterre Guilleraies | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Nantes Carnot | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Odyssée | France | Full (2) | 100% | 100% | | Full (2) | - | - | |
| SCI Pantin Les Moulins | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Paris Batignolles | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Paris Cours de Vincennes | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Porte d'Asnières | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Portes de Claye | France | Equity | 45.0% | 45.0% | | Equity | 45.0% | 45.0% | |
| SCI Rue Moussorgski | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Rueil Caudron | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Saint-Denis Landy | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Saint-Denis Mitterrand | France | Full (2) | 100% | 100% | E1 | | | | |
| SCI Scoo | France | Equity | 46.4% | 46.4% | | Equity | 46.4% | 46.4% | |
| SCI Villeurbanne Stalingrad | France | Full (2) | 100% | 100% | E1 | | | | |
| Société Francaise d'Assurances sur la Vie | France | Equity | 50.0% | 50.0% | E1 | | | | |
| Société Immobilière du Royal Building SA | Luxembourg | Full (2) | 100% | 55.3% | | Full (2) | - | - | |
| State Bank of India Life Insurance Co Ltd | India | Equity | 22.0% | 22.0% | V2 | Equity | 26.0% | 26.0% | |
| Valeur Pierre Épargne | France | Full (2) | 100% | 100% | E1 | | | | |
| ***Structured Entities*** | | | | | | | | | |
| BNPP Actions Euroland | France | Full (4) | - | - | | Full (2) | - | - | |
| BNPP Aqua | France | Full (4) | - | - | | Full (2) | - | - | |
| BNPP Convictions | France | Full (4) | - | - | | Full (2) | - | - | |
| BNPP CP Cardif Alternative | France | Full (4) | - | - | E1 | | | | |
| BNPP CP Cardif Private Debt | France | Full (4) | - | - | E1 | | | | |
| BNPP Développement Humain | France | Full (4) | - | - | | Full (2) | - | - | |
| BNPP Diversipierre | France | Full (2) | - | - | E1 | | | | |
| BNPP France Crédit | France | Full (4) | - | - | E1 | | | | |
| BNPP Global Senior Corporate Loans | France | Full (4) | - | - | | Full (2) | - | - | |
| BNPP Indice Euro | France | Full (4) | - | - | E1 | | | | |
| Camgestion Obliflexible | France | Full (4) | - | - | E1 | | | | |
| Cardif Alternatives Part I | France | Full (4) | - | - | E1 | | | | |
| Cardif BNPP IP Convertibles World | France | Full (4) | - | - | E1 | | | | |
| Cardif BNPP IP Equity Frontier Markets | France | Full (4) | - | - | E1 | | | | |
| Cardif BNPP IP Signatures | France | Full (4) | - | - | E1 | | | | |
| Cardif BNPP IP Smid Cap Euro | France | Full (4) | - | - | E1 | | | | |
| Cardif BNPP IP Smid Cap Europe | France | Full (4) | - | - | E1 | | | | |
| Cardif CPR Base Crédit | France | Full (4) | - | - | E1 | | | | |
| Cardif Edrim Signatures | France | Full (4) | - | - | E1 | | | | |
| Cardif Vita Convex Fund Eur | France | Full (4) | - | - | E1 | | | | |
| Cedrus Carbon Initiative Trends | France | Full (4) | - | - | E1 | | | | |
| EP L | France | Full (2) | - | - | E1 | | | | |
| FP Cardif Convex Fund USD | France | Full (4) | - | - | E1 | | | | |
| Fundamenta | Italy | Full (2) | - | - | E1 | | | | |
| G C Thematic Opportunities II | Ireland | Full (4) | - | - | E1 | | | | |
| Natio Fonds Ampère 1 | France | Full (4) | - | - | | Full (2) | - | - | |
| Natio Fonds Athenes Investissement N 1 | France | Full (4) | - | - | E1 | | | | |
| Natio Fonds Athenes Investissement N 5 | France | Full (4) | - | - | E1 | | | | |
| Natio Fonds Colline International | France | Full (4) | - | - | E1 | | | | |
| Natio Fonds Collines Investissement N 3 | France | Full (4) | - | - | E1 | | | | |
| New Alpha Cardif Incubator Fund | France | Full (4) | - | - | E1 | | | | |
| Opéra Rendement | France | Full (2) | - | - | E1 | | | | |
| Permal Cardif Co Investment Fund | France | Full (4) | - | - | E1 | | | | |
| Theam Quant Equity Europe Guru | France | | | | | | | | S2 |
| Tikehau Cardif Loan Europe | France | Full (4) | - | - | E1 | | | | |
| Valtitres FCP | France | Full (4) | - | - | E1 | | | | |
| **Wealth Management** | | | | | | | | | |
| Bank Insinger de Beaufort NV | Netherlands | | | | | | | | S2 |

| Name | Country | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| Bank Insinger de Beaufort NV (UK branch) | UK | | | | | | | | S2 |
| BNPP Espana SA | Spain | Full | 99.7% | 99.7% | | Full | 99.7% | 99.7% | |
| BNPP Wealth Management | France | | | | | | | | S4 |
| BNPP Wealth Management (Hong Kong branch) | Hong Kong | | | | | | | | S4 |
| BNPP Wealth Management (Singapore branch) | Singapore | | | | | | | | S4 |
| BNPP Wealth Management Monaco | Monaco | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| SNC Conseil Investissement | France | | | | S3 | Equity* | 100% | 100% | |
| **Asset Management (Ex- Investment Partners)** | | | | | | | | | |
| Alfred Berg Asset Management AB | Sweden | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| Alfred Berg Asset Management AB (Denmark branch) | Denmark | | | | | | | | S1 |
| Alfred Berg Asset Management AB (Finland branch) | Finland | | | | S1 | Full | 100% | 98.3% | |
| Alfred Berg Asset Management AB (Norway branch) | Norway | | | | S1 | Full | 100% | 98.3% | |
| Alfred Berg Fonder AB | Sweden | | | | S3 | Full | 100% | 98.3% | |
| Alfred Berg Kapitalforvaltning AB | Sweden | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| Alfred Berg Kapitalforvaltning AS | Norway | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| Alfred Berg Kapitalforvaltning Finland AB | Finland | | | | S2 | Full | 100% | 98.3% | |
| Alfred Berg Rahastoyhtio OY | Finland | | | | S2 | Full | 100% | 98.3% | |
| Bancoestado Administradora General de Fondos SA | Chile | Equity | 50.0% | 49.1% | | Equity | 50.0% | 49.1% | |
| BNPP Asset Management Asia Ltd | Hong Kong | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management Australia Ltd | Australia | | | | S3 | Equity* | 100% | 98.3% | |
| BNPP Asset Management Be Holding | Belgium | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management Belgium | Belgium | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management Belgium (Germany branch) | Germany | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management Brasil Ltda | Brazil | Full | 100% | 99.6% | | Full | 100% | 99.6% | |
| BNPP Asset Management France | France | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management France (Austria branch) | Austria | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management Holding | France | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management India Private Ltd | India | Equity* | 100% | 98.3% | | Equity* | 100% | 98.3% | |
| BNPP Asset Management Japan Ltd | Japan | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management Luxembourg | Luxembourg | Full | 99.7% | 98.0% | | Full | 99.7% | 98.0% | |
| BNPP Asset Management Nederland NV | Netherlands | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management Netherlands NV | Netherlands | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management NL Holding NV | Netherlands | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management Singapore Ltd | Singapore | | | | S3 | Equity* | 100% | 98.3% | |
| BNPP Asset Management UK Ltd | UK | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management USA Holdings Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Asset Management USA Inc (Ex- Fischer Francis Trees & Watts Inc) | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Capital Partners | France | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BNPP Dealing Services | France | Full (1) | 100% | 98.3% | V3 | Full (1) | 100% | 100% | |
| BNPP Dealing Services (UK branch) | UK | Full (1) | 100% | 98.3% | V3 | Full (1) | 100% | 100% | |
| BNPP Dealing Services Asia Ltd | Hong Kong | | | | S3 | Full | 100% | 100% | |
| BNPP Investment Partners Argentina SA | Argentina | | | | S3 | Equity* | 100% | 99.6% | |
| BNPP Investment Partners Australia Holdings Pty Ltd | Australia | | | | S3 | Full | 100% | 98.3% | |
| BNPP Investment Partners Latam SA de CV | Mexico | | | | S3 | Equity* | 99.1% | 97.4% | |
| BNPP Investment Partners PT | Indonesia | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners SGR SPA | Italy | Full | 100% | 98.3% | V3 | Full | 100% | 100% | |
| Camgestion | France | | | | S4 | Full | 100% | 98.3% | |
| Elite Asset Management PLC | Finland | Equity | 19.0% | 18.7% | E3 | | | | |
| Fischer Francis Trees & Watts UK Ltd | UK | | | | | | | | S3 |
| Fund Channel | Luxembourg | Equity | 50.0% | 49.1% | | Equity | 50.0% | 49.1% | |
| Fundquest Advisor | France | Equity* | 100% | 98.3% | | Equity* | 100% | 98.3% | |
| FundQuest Advisor (UK branch) | UK | Equity* | 100% | 98.3% | | Equity* | 100% | 98.3% | |
| Haitong Fortis Private Equity Fund Management Co Ltd | China | Equity | 33.0% | 32.4% | | Equity | 33.0% | 32.4% | |
| HFT Investment Management Co Ltd | China | Equity | 49.0% | 48.2% | | Equity | 49.0% | 48.2% | |

| | | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| Impax Asset Management Group PLC | UK | Equity | 25.0% | 24.6% | E1 | | | | |
| Shinhan BNPP Asset Management Co Ltd | Rep. of Korea | Equity | 35.0% | 34.4% | | Equity | 35.0% | 34.4% | |
| Theam | France | | | | S4 | Full | 100% | 98.3% | |
| **Real Estate Services** | | | | | | | | | |
| 99 West Tower GmbH & Co KG | Germany | Full | 100% | 100% | E3 | | | | |
| 99 West Tower GP GmbH | Germany | Full | 100% | 100% | E3 | | | | |
| Auguste Thouard Expertise | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Promotion Immobilier d'Entreprise | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Promotion Résidentiel | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Résidences Services | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Résidentiel | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Résidentiel Service Clients | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Résidentiel Transaction & Conseil | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate (United Arab Emirates branch) | United Arab Emirates | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory & Property Management Luxembourg SA | Luxembourg | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory & Property Management UK Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory and Property Management Ireland Ltd | Ireland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory Belgium SA | Belgium | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory Italy SPA | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory Netherlands BV | Netherlands | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory SA | Romania | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory Spain SA | Spain | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate APM CR SRO (Ex- BNPP Real Estate Advisory & Property Management Czech Republic SRO) | Czech Republic | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Consult France | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Consult GmbH | Germany | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Facilities Management Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Financial Partner | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate GmbH | Germany | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Holding Benelux SA | Belgium | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Holding GmbH | Germany | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Holding Netherlands BV (Ex- Atisreal Netherlands BV) | Netherlands | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Hotels France | France | | | | S4 | Full | 100% | 96.3% | V4 |
| BNPP Real Estate Investment Management Belgium | Belgium | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Investment Management France | France | Full | 100% | 100% | | Full | 100% | 100% | V1 |
| BNPP Real Estate Investment Management Germany GmbH | Germany | Full | 94.9% | 94.9% | | Full | 94.9% | 94.9% | |

| | | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| BNPP Real Estate Investment Management Germany GmbH (Italy branch) | Italy | Full | 94.9% | 94.9% | | Full | 100% | 94.9% | |
| BNPP Real Estate Investment Management Germany GmbH (Spain branch) | Spain | Full | 94.9% | 94.9% | | Full | 100% | 94.9% | |
| BNPP Real Estate Investment Management Italy SPA | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Investment Management Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Investment Management Luxembourg SA | Luxembourg | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Investment Management Spain SA | Spain | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Investment Management UK Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Investment Services | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Italy SRL | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Jersey Ltd | Jersey | | | | S2 | Full | 100% | 100% | |
| BNPP Real Estate Magyarorszag Tanacsado Es Ingatlankezelo ZRT (Ex- BNPP Real Estate Advisory & Property Management Hungary Ltd) | Hungary | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Poland SP ZOO | Poland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Property Development UK Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Property Developpement Italy SPA | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Property Management Belgium | Belgium | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Property Management France SAS | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Property Management GmbH | Germany | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Property Management Italy SRL | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Property Management Spain SA | Spain | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Transaction France | France | Full | 96.1% | 96.1% | V2 | Full | 96.3% | 96.3% | V1 |
| BNPP Real Estate Valuation France | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Construction-Sale Companies (Real Estate programs) [(d)] | France | Full/ Equity | - | - | | Full/ Equity | - | - | |
| FG Ingénierie et Promotion Immobilière | France | | | | S4 | Full | 100% | 100% | |
| GIE Siège Issy | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Horti Milano SRL | Italy | Full | 100% | 100% | E1 | | | | |
| Immobilière des Bergues | France | | | | S4 | Full | 100% | 100% | |
| Locchi SRL | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| Meunier Hispania | Spain | | | | | | | | S1 |
| Parker Tower Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| Partner's & Services | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Pyrotex GB 1 SA | Luxembourg | Full | 100% | 100% | | Full | 100% | 100% | |
| Pyrotex SARL | Luxembourg | Full | 100% | 100% | | Full | 100% | 100% | |
| REPD Parker Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| San Basilio 45 SRL | Italy | | | | | | | | S2 |
| Sviluppo Residenziale Italia SRL | Italy | Full | 100% | 100% | | Full | 100% | 100% | |

*d) As at 31 December 2017, 96 Construction-Sale Companies (Real Estate programs) (81 full and 15 equity) versus 81 as at 31 December 2016 (70 full and 11 equity).*

***Changes in the scope of consolidation***

***New entries (E) in the scope of consolidation***

*E1 Passing qualifying thresholds*
*E2 Incorporation*
*E3 Purchase, gain of control or significant influence*

***Removals (S) from the scope of consolidation***

*S1 Cessation of activity (dissolution, liquidation...)*
*S2 Disposal, loss of control or loss of significant influence*
*S3 Passing qualifying thresholds*
*S4 Merger, Universal transfer of assets and liabilities*

***Variance (V) in voting or ownership interest***

*V1 Additional purchase*
*V2 Partial disposal*
*V3 Dilution*
*V4 Increase in %*

*Equity* Controlled but non material entities consolidated under the equity method as associates*

***Miscellaneous***

*D1 Consolidation method change not related to fluctuation in voting or ownership interest*

***Prudential scope of consolidation***

*(1) French subsidiaries whose supervision of prudential requirements is complied with through the supervision on a consolidated basis of BNP Paribas SA, in accordance with article 7.1 of Regulation n°575/2013 of the European Parliament and of the Council.*
*(2) Insurance entities consolidated under the equity method in the prudential scope.*
*(3) Jointly controlled entities under proportional consolidation in the prudential scope.*
*(4) Collective investment undertaking excluded from the prudential scope.*

| Name | Country | 31 December 2017 Method | Voting (%) | Interest (%) | Ref. | 31 December 2016 Method | Voting (%) | Interest (%) | Ref. |
|---|---|---|---|---|---|---|---|---|---|
| **Corporate & Institutional Banking** | | | | | | | | | |
| **Securities Services** | | | | | | | | | |
| BNPP Fund Administration Services Ireland Ltd | Ireland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Fund Services Australasia Pty Ltd | Australia | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BNPP Fund Services Australasia Pty Ltd (New Zealand branch) | New Zealand | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BNPP Fund Services France | France | | | | | | | | S4 |
| BNPP Global Securities Operations Private Ltd | India | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities Services | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Australia branch) | Australia | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Belgium branch) | Belgium | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Germany branch) | Germany | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Greece branch) | Greece | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Guernsey branch) | Guernsey | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Hong Kong branch) | Hong Kong | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Hungary branch) | Hungary | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Ireland branch) | Ireland | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Italy branch) | Italy | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Jersey branch) | Jersey | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Luxembourg branch) | Luxembourg | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Netherlands branch) | Netherlands | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Poland branch) | Poland | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Portugal branch) | Portugal | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Singapore branch) | Singapore | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Spain branch) | Spain | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (Switzerland branch) | Switzerland | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Securities Services (UK branch) | UK | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| **CIB EMEA (Europ, Middle East, Africa)** | | | | | | | | | |
| **France** | | | | | | | | | |
| BNPP Arbitrage | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Arbitrage (UK branch) | UK | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| Esomet | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Laffitte Participation 22 | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Opéra Trading Capital | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Opéra Trading Capital (Hong Kong branch) | Hong Kong | Full | 100% | 100% | | Full | 100% | 100% | |
| Opéra Trading Capital (UK branch) | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| Parilease | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| SNC Taitbout Participation 3 | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Verner Investissements | France | Equity | 40.0% | 50.0% | | Equity | 40.0% | 50.0% | |
| ***Structured Entities*** | | | | | | | | | |
| Antin Participation 8 | France | | | | | | | | S4 |
| Atargatis | France | Full | - | - | | Full | - | - | |
| Austin Finance | France | Full | - | - | | Full | - | - | |
| Compagnie d'Investissement Italiens | France | Full | - | - | | Full | - | - | |
| Compagnie d'Investissement Opéra | France | Full | - | - | | Full | - | - | |
| Financière des Italiens | France | Full | - | - | | Full | - | - | |
| Financière Paris Haussmann | France | Full | - | - | | Full | - | - | |
| Financière Taitbout | France | Full | - | - | | Full | - | - | |
| Mediterranea | France | Full | - | - | | Full | - | - | |
| Optichamps | France | Full | - | - | | Full | - | - | |
| Participations Opéra | France | Full | - | - | | Full | - | - | |
| **Other European countries** | | | | | | | | | |
| Alpha Murcia Holding BV | Netherlands | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | |
| BNP PUK Holding Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Bank JSC | Russia | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Commodity Futures Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Emissions Und Handels GmbH | Germany | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Invest Holdings BV | Netherlands | Full | 100% | 100% | E1 | | | | |
| BNPP Ireland Unlimited Co | Ireland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Islamic Issuance BV | Netherlands | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Issuance BV | Netherlands | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Net Ltd | UK | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BNPP Prime Brokerage International Ltd | Ireland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP UK Holdings Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP UK Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Vartry Reinsurance DAC | Ireland | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| Financière Hime SA | Luxembourg | Equity | 22.5% | 22.5% | E1 | | | | |
| FScholen | Belgium | Equity | 50.0% | 50.0% | | Equity | 50.0% | 50.0% | |
| Greenstars BNPP | Luxembourg | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| Harewood Holdings Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| Hime Holding 1 SA | Luxembourg | Equity | 26.4% | 26.4% | E1 | | | | |
| Hime Holding 2 SA | Luxembourg | Equity | 21.0% | 21.0% | E1 | | | | |
| Hime Holding 3 SA | Luxembourg | Equity | 20.6% | 20.6% | E1 | | | | |
| Landspire Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| SC Nueva Condo Murcia SL | Spain | | | | S2 | Equity* | 100% | 99.9% | |
| Utexam Logistics Ltd | Ireland | Full | 100% | 100% | | Full | 100% | 100% | |
| Utexam Solutions Ltd | Ireland | Full | 100% | 100% | | Full | 100% | 100% | |
| ***Structured Entities*** | | | | | | | | | |
| Alectra Finance PLC | Ireland | Full | - | - | | Full | - | - | |
| Alleray SARL | Luxembourg | | | | | | | | S1 |
| Aquarius +Investments PLC | Ireland | Full | - | - | | Full | - | - | |
| Aries Capital DAC | Ireland | Full | - | - | E1 | | | | |
| BNPP International Finance Dublin | Ireland | Full | - | - | | Full | - | - | |
| BNPP Investments N 1 Ltd | UK | Full | - | - | | Full | - | - | |
| BNPP Investments N 2 Ltd | UK | Full | - | - | | Full | - | - | |
| Boug BV | Netherlands | Full | - | - | | Full | - | - | |
| Boug BV (UK branch) | UK | Full | - | - | | Full | - | - | |
| Crossen SARL | Luxembourg | | | | | | | | S3 |
| Harewood Financing Ltd | UK | | | | | | | | S3 |
| Madison Arbor Ltd | Ireland | Full | - | - | | Full | - | - | |
| Matchpoint Finance PLC | Ireland | Full | - | - | | Full | - | - | |
| Omega Capital Funding Ltd | Ireland | | | | S1 | Full | - | - | |
| Omega Capital Investments PLC | Ireland | | | | S1 | Full | - | - | |
| Royale Neuve I SARL | Luxembourg | | | | | | | | S1 |
| Scaldis Capital Ireland Ltd | Ireland | | | | | | | | S3 |
| Scaldis Capital Ltd | Jersey | Full | - | - | | Full | - | - | |
| **Middle East** | | | | | | | | | |
| BNPP Investment Co KSA | Saudi Arabia | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| **Africa** | | | | | | | | | |
| BNPP Securities South Africa Holdings Pty Ltd | South Africa | | | | S3 | Equity* | 60.0% | 60.0% | |
| BNPP Securities South Africa Pty Ltd | South Africa | | | | S3 | Equity* | 100% | 60.0% | |
| **CIB Americas** | | | | | | | | | |
| Banco BNPP Brasil SA | Brazil | Full | 100% | 100% | | Full | 100% | 100% | |
| Banexi Holding Corp | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Canada Corp | Canada | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Canada Valeurs Mobilières Inc | Canada | | | | S3 | Equity* | 100% | 100% | |
| BNPP Capital Services Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP CC Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Colombia Corporacion Financiera SA | Colombia | Full | 100% | 100% | D1 | Equity* | 100% | 100% | |
| BNPP Energy Trading Canada Corp | Canada | | | | | | | | S3 |
| BNPP Energy Trading GP | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Energy Trading Holdings Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Energy Trading LLC | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP FS LLC | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP IT Solutions Canada Inc | Canada | Full | 100% | 100% | D1 | Equity* | 100% | 100% | |
| BNPP Leasing Corp | USA | | | | S1 | Equity* | 100% | 100% | D1 |
| BNPP Mortgage Corp | USA | | | | | | | | S4 |
| BNPP Prime Brokerage Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP RCC Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities Corp | USA | Full | 100% | 100% | | Full | 100% | 100% | |

| Name | Country | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| BNPP US Wholesale Holdings Corp (Ex- BNPP North America) | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP USA Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| FB Transportation Capital LLC | USA | | | | | | | | S1 |
| Fortis Funding LLC | USA | | | | | | | | S3 |
| French American Banking Corp | USA | | | | S1 | Full | 100% | 100% | |
| FSI Holdings Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Via North America Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| ***Structured Entities*** | | | | | | | | | |
| BNPP EQD Brazil Fund Fundo deInvestmento Multimercado | Brazil | Full | - | - | | Full | - | - | |
| BNPP Finance Inc | USA | | | | | | | | S3 |
| BNPP Proprietario Fundo de Investimento Multimercado | Brazil | Full | - | - | | Full | - | - | |
| BNPP VPG Adonis LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Brookfin LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Brookline Cre LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG CT Holdings LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG EDMC Holdings LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Express LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Freedom CommunicationsLLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Legacy Cabinets LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Mark IV LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Master LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Medianews Group LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Northstar LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Pacex LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG PCMC LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG SBX Holdings LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG SDI Media Holdings LLC | USA | | | | S1 | Full | - | - | |
| Matchpoint Master Trust | USA | | | | | | | | S1 |
| Ozcar Multi Strategies LLC | USA | | | | S3 | Equity* | - | - | E1 |
| Starbird Funding Corp | USA | Full | - | - | | Full | - | - | |
| VPG SDI Media LLC | USA | | | | S1 | Equity* | - | - | |
| **CIB Pacific Asia** | | | | | | | | | |
| Bank BNPP Indonesia PT | Indonesia | Full | 100% | 100% | | Full | 100% | 100% | |
| BNP Pacific Australia Ltd | Australia | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Amber Holdings Pty Ltd | Australia | Full | 100% | 100% | E1 | | | | |
| BNPP Arbitrage Hong Kong Ltd | Hong Kong | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP China Ltd | China | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Commodities Trading Shanghai Co Ltd | China | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Finance Hong Kong Ltd | Hong Kong | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP India Holding Private Ltd | India | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP India Solutions Private Ltd | India | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Malaysia Berhad | Malaysia | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities Asia Ltd | Hong Kong | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities India Private Ltd | India | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities Japan Ltd | Japan | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities Korea Co Ltd | Rep. of Korea | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities Singapore Pte Ltd | Singapore | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities Taiwan Co Ltd | Taiwan | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Sekuritas Indonesia PT (Ex- BNPP Securities Indonesia PT) | Indonesia | Full | 99.0% | 99.0% | | Full | 99.0% | 99.0% | |
| BNPP SJ Ltd | Hong Kong | | | | S3 | Equity* | 100% | 100% | |
| BNPP SJ Ltd (Japan branch) | Japan | | | | S3 | Equity* | 100% | 100% | |
| BPP Holdings Pte Ltd | Singapore | Full | 100% | 100% | | Full | 100% | 100% | |
| **Other Business Units** | | | | | | | | | |
| BNPP Suisse SA | Switzerland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Suisse SA (Guernsey branch) | Guernsey | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Suisse SA (Jersey branch) | Jersey | | | | | | | | S1 |
| **Private Equity (BNP Paribas Capital)** | | | | | | | | | |
| Cobema | Belgium | Full | 100% | 100% | | Full | 100% | 100% | |
| Compagnie Financière Ottomane SA | Luxembourg | Full | 97.3% | 97.2% | V1 | Full | 97.2% | 97.2% | V1 |
| **Property companies (property used in operations)** | | | | | | | | | |
| Antin Participation 5 | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Société Immobilière du Marché Saint Honoré | France | Full | 100% | 100% | V1 | Full | 99.9% | 99.9% | |
| **Investment companies and other subsidiaries** | | | | | | | | | |
| BNPP Home Loan SFH | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Partners for Innovation | France | Equity | 50.0% | 50.0% | | Equity | 50.0% | 50.0% | |
| BNPP Public Sector SCF | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP SB Re | Luxembourg | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | |
| Financière du Marché Saint Honoré | France | Full | 100% | 100% | | Full | 100% | 100% | |
| GIE Groupement Auxiliaire de Moyens | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Le Sphinx Assurances Luxembourg SA | Luxembourg | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | D1 |
| Lion International Investments SA | Luxembourg | Full | 100% | 100% | | Full | 100% | 100% | |
| Plagefin SA | Luxembourg | Full | 100% | 65.9% | | Full | 100% | 65.9% | |
| Sagip | Belgium | Full | 100% | 100% | | Full | 100% | 100% | |
| Société Auxiliaire de Construction Immobilière | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Société Orbaisienne de Participations | France | Full | 100% | 100% | | Full | 100% | 100% | |
| UCB Bail 2 | France | Full | 100% | 100% | | Full | 100% | 100% | |
| ***Structured Entities*** | | | | | | | | | |
| BNPP B Institutional II Court Terme | Belgium | Full | - | - | | Full | - | - | |
| BNPP SME 1 | France | Full | - | - | | Full | - | - | |
| BNPP US Medium Term Notes Program LLC | USA | | | | | | | | S3 |
| FCT Laffitte 2016 | France | Full | - | - | | Full | - | - | E2 |
| FCT Opéra 2014 | France | Full | - | - | | Full | - | - | |

As requested by the ANC 2016 regulation, the list of entities that are controlled by the Group, jointly controlled or under significant influence, but excluded from the scope of consolidation since their contribution to the consolidated financial statements would be immaterial to the Group, and the list of equity investments, are available on the "Regulated Information" page of the https://invest.bnpparibas.com website.

*(Changes in the scope of consolidation*
***New entries (E) in the scope of consolidation***
*E1 Passing qualifying thresholds*
*E2 Incorporation*
*E3 Purchase, gain of control or significant influence*
***Removals (S) from the scope of consolidation***
*S1 Cessation of activity (dissolution, liquidation...)*
*S2 Disposal, loss of control or loss of significant influence*
*S3 Passing qualifying thresholds*
*S4 Merger, Universal transfer of assets and liabilities*
***Variance (V) in voting or ownership interest***
*V1 Additional purchase*
*V2 Partial disposal*
*V3 Dilution*
*V4 Increase in %*
*Equity* Controlled but non material entities consolidated under the equity method as associates*
***Miscellaneous***
*D1 Consolidation method change not related to fluctuation in voting or ownership interest*

*Prudential scope of consolidation*
*(1) French subsidiaries whose supervision of prudential requirements is complied with through the supervision on a consolidated basis of BNP Paribas SA, in accordance with article 7.1 of Regulation n°575/2013 of the European Parliament and of the Council.*
*(2) Insurance entities consolidated under the equity method in the prudential scope.*
*(3) Jointly controlled entities under proportional consolidation in the prudential scope.*
*(4) Collective investment undertaking excluded from the prudential scope.*

## 7.k FEES PAID TO THE STATUTORY AUDITORS

| For the year ended 31 Dec. 2017 | Deloitte | | PricewaterhouseCoopers | | Mazars | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| *Excluding tax, in thousands of euros* | Amount | % | Amount | % | Amount | % | Amount | % |
| Statutory audit engagement | 16,683 | 68% | 16,667 | 64% | 11,261 | 92% | 44,611 | 71% |
| Issuer | 3,840 | | 4,730 | | 2,448 | | 11,018 | |
| Consolidated subsidiaries | 12,843 | | 11,937 | | 8,813 | | 33,593 | |
| Services other than those required for their statutory audit engagement | 7,906 | 32% | 9,513 | 36% | 935 | 8% | 18,354 | 29% |
| Issuer | 3,534 | | 2,622 | | 535 | | 6,691 | |
| Consolidated subsidiaries | 4,372 | | 6,891 | | 400 | | 11,663 | |
| **TOTAL** | **24,589** | **100%** | **26,180** | **100%** | **12,196** | **100%** | **62,965** | **100%** |
| *of which fees paid to statutory auditors in France for their statutory audit engagement* | *5,883* | | *4,623* | | *4,730* | | *15,236* | |
| *of which fees paid to statutory auditors in France for services other than those required for their statutory audit engagement* | *987* | | *1,388* | | *549* | | *2,924* | |

| For the year ended 31 Dec. 2016 | Deloitte | | PricewaterhouseCoopers | | Mazars | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| *Excluding tax, in thousands of euros* | Amount | % | Amount | % | Amount | % | Amount | % |
| Statutory audit engagement | 13,051 | 62% | 14,537 | 64% | 9,595 | 88% | 37,183 | 68% |
| Issuer | 3,133 | | 4,145 | | 1,829 | | 9,107 | |
| Consolidated subsidiaries | 9,918 | | 10,392 | | 7,766 | | 28,076 | |
| Services other than those required for their statutory audit engagement | 7,967 | 38% | 8,134 | 36% | 1,349 | 12% | 17,450 | 32% |
| Issuer | 3,240 | | 2,369 | | 157 | | 5,766 | |
| Consolidated subsidiaries | 4,727 | | 5,765 | | 1,192 | | 11,684 | |
| **TOTAL** | **21,018** | **100%** | **22,671** | **100%** | **10,944** | **100%** | **54,633** | **100%** |

The audit fees paid to auditors which are not members of the network of one of the auditors certifying the consolidated financial statements and the non-consolidated financial statements of BNP Paribas SA, mentioned in the table above, amounted to EUR 909 thousand for the year ended 31 December 2017 (EUR 687 thousand for the year ended 31 December 2016).

Services other than those required for the statutory audit engagement are mainly composed this year of reviews of the entity's compliance with regulatory requirements, and reviews of internal control quality by comparison with international standards (such as ISAE 3402) as part of services provided to customers, particularly in the Securities and Asset Management businesses, and expertise on the Bank's transformation projects.

# 4.7 Statutory Auditors' report on the consolidated financial statements

**Deloitte & Associés**
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France

**PricewaterhouseCoopers Audit**
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
France

**Mazars**
61, rue Henri Regnault
92400 Courbevoie
France

*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 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.*



For the year ended 31 December 2017

BNP Paribas SA
16, boulevard des Italiens
75009 Paris,
France

To the Shareholders of BNP Paribas,

## Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas SA for the year ended 31 December 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2017 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.

The audit opinion expressed above is consistent with our report to the Financial Statements Committee.

## Basis for opinion

### Audit framework

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

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

### Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from 1st January 2017 to the date of our report and in particular we did not provide any non audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

## Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

### Identification and assessment of credit risk

*(See Notes 1.c.1, 1.c.5, 2.g, 4.f, 4.g, 4.h and 4.q to the consolidated financial statements)*

| Description of risk | How our audit addressed this risk |
|---|---|
| As part of its banking intermediation activities, BNP Paribas is exposed to credit risk.<br><br>It recognises impairment losses to cover known credit risks which are inherent to its operations.<br><br>Impairment losses either take the form of individual impairment losses recognised against the related on- and off-balance sheet commitments or of collective impairment losses recognised against loan portfolios presenting similar risks which are not individually impaired. Collective provisions are determined using statistical models which require judgement at each stage of the calculation, particularly with respect to building similar portfolios and determining the inputs for the applicable risks and the obligating event of the provisions.<br><br>Under certain circumstances, additional collective sectoral or geographic provisions are recognised in order to take into account any risks identified by BNP Paribas which are not covered by the above-mentioned individual or collective provisions.<br><br>At 31 December 2017, total balance sheet outstandings due from customers exposed to credit risk amounted to EUR 752.4 billion while total impairment losses stood at EUR 24.7 billion.<br><br>We deemed the identification and assessment of credit risk to be a key audit matter because management is required to exercise judgement and make estimates to assess credit risk, in particular as regards credit granted to companies given the potentially material amounts of the outstandings of loans to corporate counterparties. | We assessed the relevance of BNP Paribas' control system and tested the manual and computerised controls for identifying and measuring impairment.<br><br>We also examined the most significant outstandings and/or portfolios at the reporting date as well as on the credit granted to companies operating in more sensitive economic sectors or geographic regions.<br><br>More specifically, our work consisted in:<br>■ rating corporate counterparties: we assessed the risk presented by the material counterparties whose periodic rating review had not been carried out by BNP Paribas at 31 December 2017 as well as the risk level of a sample of outstandings deemed to be performing by management;<br>■ measuring provisions recorded individually: we verified that a periodic review of the counterparties under surveillance had been carried out by BNP Paribas and based on a sample, assessed the assumptions and data used by management to estimate impairment;<br>■ measuring collective provisions: assisted by our credit risk experts, we assessed the methods used by BNP Paribas across the various scopes and the effectiveness of the data quality controls.<br><br>In addition, we examined the disclosures in the notes to the consolidated financial statements with respect to credit risk. |

### Assessment of the impacts of the first-time application of IFRS 9 – Financial instruments

*(See Note 1.a.2 to the consolidated financial statements)*

| Description of risk | How our audit addressed this risk |
|---|---|
| The entry into force of IFRS 9 – Financial instruments on 1st January 2018 has resulted in significant changes to the rules for classifying, valuing and impairing financial assets. Calculating expected credit losses requires management to exercise judgement, in particular in order to:<br>■ determine the criteria used to identify significant increases in credit risk;<br>■ measure expected credit losses;<br>■ determine how forward-looking macroeconomic information will affect the above.<br><br>On 31 December 2017, BNP Paribas published an estimate of the impacts on equity of the application from 1st January 2018 of IFRS 9 (see Note 1.a.2). This estimate was prepared based on numerous assumptions and judgements and using a new internal control system (IT system, data, governance, reporting, accounting controls).<br><br>Given the complexity of the application of IFRS 9 and the significance of the information published, we deemed the assessment of the impacts of the first-time application of IFRS 9 to be a key audit matter. | We assessed the procedures deployed by BNP Paribas to implement the new standard. We asked our experts to assess the analyses performed and the models used by BNP Paribas to apply the new IFRS 9 accounting principles.<br><br>With respect to classification and valuation, our work consisted in:<br>■ validating the analyses performed and the accounting principles defined by the Group and their implementation by the main business lines;<br>■ based on a sample of contracts, verifying that the estimate of the analysis was correctly prepared by BNP Paribas;<br>■ assessing the valuation models used for reclassified assets.<br><br>With respect to impairment, our work consisted in:<br>■ assessing the compliance of BNP Paribas' accounting principles with IFRS 9 and the methods implemented by the business lines by examining independent reviews performed internally where appropriate;<br>■ based on a sample of models, assessing the implementation of said models in IT systems and the financial reporting system.<br><br>In addition, we verified the consistency of the disclosures in the notes to the consolidated financial statements with the individual data published by each business line/entity. |

**Valuation of financial instruments**

*(See Notes 1.c.10, 4.a, 4.b and 4.d to the consolidated financial statements)*

| Description of risk | How our audit addressed this risk |
|---|---|
| As part of its trading activities, BNP Paribas holds financial instruments (assets and liabilities) which are recognised in the balance sheet at market value.<br><br>Market value is determined according to different approaches, depending on the type of instrument and its complexity: (i) using directly observable quoted prices (instruments classified in level 1 of the fair value hierarchy); (ii) using valuation models whose main inputs are observable (instruments classified in level 2); and (iii) using valuation models whose main inputs are unobservable (instruments classified in level 3).<br><br>The valuations obtained may be subject to additional value adjustments to take into account certain specific trading, liquidity or counterparty risks.<br><br>The techniques adopted by management to measure these instruments may therefore involve significant judgement as regards the models and data used.<br><br>At 31 December 2017, financial instruments represented EUR 836 billion (of which EUR 15.4 billion with respect to instruments classified in level 3) under assets and EUR 539 billion (of which EUR 23.5 billion with respect to instruments classified in level 3) under liabilities.<br><br>In light of the materiality of the outstandings and the judgement used to determine market value, we deemed the measurement of financial instruments to be a key audit matter, in particular the measurement of level 3 instruments given the use of unobservable inputs. | Assisted by our valuation experts, we verified that the key controls used by the Group with respect to the valuation of financial instruments function properly, in particular those relating to:<br>■ the approval and regular review by management of the risks of the valuation models;<br>■ the independent verification of the valuation inputs;<br>■ the determination of value adjustments.<br><br>Based on a sample, our valuation experts:<br>■ analysed the relevance of the assumptions and inputs used;<br>■ analysed the results of the independent review of the inputs by BNP Paribas;<br>■ performed independent counter valuations using our own models.<br><br>We also analysed on a sample basis any differences between the valuations obtained and collateral calls with counterparties.<br><br>In addition, we examined the disclosures in the notes to the consolidated financial statements with respect to the valuation of financial instruments. |

**Goodwill impairment**

*(See Notes 1.b.4 and 4.o to the consolidated financial statements)*

| Description of risk | How our audit addressed this risk |
|---|---|
| When recognising acquisitions, BNP Paribas records goodwill under assets, corresponding to the excess of the acquisition price of the shares over the value of the Group's interest. At 31 December 2017, goodwill amounted to EUR 9.6 billion.<br><br>Goodwill is tested for impairment at least once a year or more frequently if there is an indication of impairment. Comparing the carrying amount of the cash-generating units to which goodwill is allocated with their recoverable amount is a key step in the process of determining if an impairment charge should be recorded.<br><br>We deemed goodwill impairment to be a key audit matter because management is required to exercise judgement to measure the recoverable amount of the cash-generating units, which involves making assumptions as regards the future earnings of acquirees and the discount rates applied to projected cash flows. | Our audit approach consisted in assessing the procedures implemented within BNP Paribas to test goodwill for impairment as well as the controls designed to identify indications of goodwill impairment.<br><br>Assisted by our valuation experts, our work on the goodwill balances at 31 December 2017 consisted primarily in:<br>■ analysing the methods adopted by BNP Paribas;<br>■ critically reviewing the provisional business plans approved by Executive Management to ensure the reasonableness of the future cash flow estimates set out therein (in particular when projections do not match past performance);<br>■ critically analysing the main assumptions and inputs used (growth rate, cost of capital and discount rate) with respect to available external information;<br>■ assessing the analyses of the sensitivity of estimates to key inputs (in particular when the recoverable amount approximates the carrying amount).<br><br>Lastly, we verified the appropriateness of the disclosures in the notes to the consolidated financial statements with respect to the results of impairment and sensitivity tests. |

### Analysis of legal risk with respect to regulatory and administrative investigations and to class actions

*(See Notes 2.g, 4.q and 7.b to the consolidated financial statements)*

| Description of risk | How our audit addressed this risk |
|---|---|
| In each of the countries where it is present, BNP Paribas is subject to the regulations applicable to the sectors in which it operates. If the Group does not comply with the applicable laws and regulations, it may be exposed to significant fines and other administrative and criminal sanctions. It may also incur losses as a result of private legal disputes in connection with or unrelated to these sanctions.<br><br>Any provision recognised to cover the consequences of investigations into non compliance with certain regulations requires judgement due to the difficulty in estimating the outcome of regulatory procedures.<br><br>Any provisions with respect to class actions or other private legal disputes also requires management to exercise judgement.<br><br>In light of the increase in regulatory and administrative investigations and class actions brought against financial establishments in recent years and of the significant judgement exercised by management to determine the amount of provisions recognised, we deemed this risk to be a key audit matter. | We were informed of the procedure for identifying and assessing legal risk with respect to regulatory and administrative investigations and to class actions, in particular through quarterly interviews with BNP Paribas' legal functions.<br><br>Our work consisted primarily in:<br>■ obtaining an understanding of the analyses prepared by the financial and legal departments at the end of each quarterly accounting period;<br>■ interviewing the specialised law firms with which BNP Paribas works when subject to legal disputes. |

4

### Deferred tax assets with respect to tax loss carryforwards

*(See Notes 1.k, 2.h and 4.k to the consolidated financial statements)*

| Description of risk | How our audit addressed this risk |
|---|---|
| Deferred tax assets are recognised for tax loss carryforwards to the extent that it is probable that the entity in question will generate future taxable profits against which these tax losses can be utilised.<br><br>At 31 December 2017, EUR 5 billion was recorded on the consolidated balance sheet with respect to deferred tax assets, of which EUR 1.6 billion represented tax loss carryforwards. At that same date, unrecognised deferred tax assets with respect to tax loss carryforwards amounted to EUR 1.2 billion.<br><br>We deemed this subject to be a key audit matter because management is required to exercise judgement when deciding whether to recognise a deferred tax asset for tax loss carryforwards as well as when assessing the recoverability of recognised deferred tax assets. | Assisted by our tax experts, our audit approach consisted in assessing the relevance of the forecasts used and thereby the probability of BNP Paribas Group entities being able to utilise their tax loss carryforwards in the future.<br><br>In particular, we:<br>■ verified that the applicable tax rates were taken into account (in particular for Belgium, France and the United States) and assessed the duration of the tax loss carryforwards;<br>■ examined earnings forecasts and their underlying assumptions. |

### General IT controls

| Description of risk | How our audit addressed this risk |
|---|---|
| The reliability and security of IT systems plays a key role in the preparation of BNP Paribas' consolidated financial statements.<br><br>We thus deemed the assessment of the general IT controls and the application controls specific to the information processing chains that contribute to the preparation of accounting and financial information to be a key audit matter.<br><br>In particular, a system for controlling access rights to IT systems and authorisation levels based on employee profiles represents a key control for limiting the risk of inappropriate changes to applications' settings or underlying data. | For the main systems used to prepare accounting and financial information, assisted by our IT specialists, our work notably consisted in:<br>■ obtaining an understanding of the systems, processes and controls which underpin accounting and financial data;<br>■ assessing the general IT controls (application and data access management, application changes/developments management and IT operations management) on material systems (in particular, accounting, consolidation and automatic reconciliation applications);<br>■ examining the control for the authorisation of manual accounting entries. |

**Technical reserves of insurance companies**
*(See Notes 4.p to the consolidated financial statements)*

| Description of risk | How our audit addressed this risk |
|---|---|
| At the year-end, a liability adequacy test is performed for BNP Paribas' insurance activities.<br><br>This test consists in comparing insurance liabilities (or technical reserves) recognised in the balance sheet with projected net future cash flows. In the hypothetical event that the carrying amount of the insurance liabilities were not sufficient, an additional liability would have to be recognised.<br><br>At 31 December 2017, total technical insurance reserves amounted to EUR 203 billion.<br><br>The end-2017 test confirmed that the carrying amount of the reserves was sufficient.<br><br>We deemed the implementation of the liability adequacy test for the Savings business to be a key audit matter because it involves using actuarial models as well as modelling options and guarantees which are specific to BNP Paribas and requires management to exercise judgement to determine certain key assumptions (e.g., return on assets, surrender rate and fees) | Based on a sample, we assessed the amount of net future cash flows used in the calculation, in particular by:<br>■ assessing the validity of the data on asset portfolios and contracts used as a starting point for the modelling exercise;<br>■ identifying the main changes made to the actuarial models, assessing the relevance of said changes and obtaining an understanding of their impact on the result of the test;<br>■ analysing differences in the model results between 2016 and 2017 using analyses prepared by BNP Paribas. We verified that the most material differences were justified by changes in the portfolio, the assumptions or the models.<br><br>We also examined the disclosures in the notes to the consolidated financial statements with respect to insurance liabilities. |



## Verification of the information pertaining to the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report of the Board of Directors.

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

## Report on other legal and regulatory requirements

### Appointment of the Statutory Auditors

We were appointed Statutory Auditors of BNP Paribas SA by the Annual General Meetings held on 23 May 2006 for Deloitte & Associés, 26 May 1994 for PricewaterhouseCoopers Audit and 23 May 2000 for Mazars.

At 31 December 2017, Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars were in the twelfth year, the twenty-fourth year and the eighteenth year of total uninterrupted engagement, respectively.

## Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

The Financial Statements Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

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

## Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

### Objective and audit approach

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

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

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.



### Report to the Financial Statements Committee

We submit a report to the Financial Statements Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Financial Statements Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Financial Statements Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Financial Statements Committee.

Neuilly-sur-Seine and Courbevoie, 6 March 2018

The Statutory Auditors

| Deloitte & Associés | PricewaterhouseCoopers Audit | Mazars |
|---|---|---|
| Damien Leurent | Étienne Boris | Hervé Hélias |

# 5 RISKS AND CAPITAL ADEQUACY – PILLAR 3

The purpose of Pillar 3 – market discipline, is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) with a set of disclosures completing the usual financial disclosures.

This chapter presents the information relative to the BNP Paribas Group's risks and in this respect meets:

- the requirements of part 8 of Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms applicable to BNP Paribas on a consolidated basis (see article 13);
- the accounting standards requirements relating to the nature and the extent of the risks. Some information required by accounting standards IFRS 7, IFRS 4 and IAS 1 is included in this chapter and covered by the opinion of the Statutory Auditors on the consolidated financial statements. This information is identified by the mention "[Audited]" and must be read as being part of the notes to the consolidated financial statements;
- the "guidelines on disclosure requirements under Part Eight of Regulation (UE) No. 575/2013" proposed by the European Banking Authority on 14 December 2016 to improve the comparability of financial information published by financial institutions under Pillar 3.

The Basel current measures (known as Basel 3), approved in November 2010, strengthen the ability of banks to withstand economic and financial shocks of all kinds by introducing a series of regulatory provisions. The content of this reform was transposed into European law in Directive 2013/36/EU (CRD 4) and Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), which together constitute the corpus of texts known as "CRD IV".

All of these new requirements will be phased-in over a five-year period from 1 January 2014 to 1 January 2019, transitioning from "phased-in" ratios to "fully loaded" ratios.

The regulatory framework of Basel 3 had the following main impacts:

- **strengthened solvency**

The Basel 3 rules harmonise the definition of capital and strengthen the ability of financial institutions to absorb losses.

A detailed description of the composition of regulatory capital is given under *Regulatory capital* in section 5.2. The table in Appendix 3 is presented in accordance with Council Implementing Regulation (EU) No. 1423/2013 of 20 December 2013.

At the same time, the rules for the calculation of risk-weighted assets have been adjusted to tighten these requirements.

Strengthened solvency is implemented through the Single Supervisory Mechanism (SSM) overseen by the ECB as of 1 November 2014 and application of the European Banking Authority (EBA) Supervisory Review and Evaluation Process (SREP) guidelines.

The BNP Paribas Group, identified as a "financial conglomerate", is subject to additional supervision. As a financial conglomerate, the Group's own funds cover the capital requirements for banking activities as well as insurance activities (see *Capital adequacy and capital planning* in section 5.2).

- **introduction of a leverage ratio**

It is planned to introduce a leverage ratio primarily to act as a supplementary measure to the risk-based capital requirements (backstop principle). Banks have been required to publish their leverage ratios since 1 January 2015.

The Group's leverage ratio as at 31 December 2017 is presented in section 5.2 *Capital adequacy and capital planning*.

- **liquidity management**

The implementation of CRD IV on liquidity with the introduction of a short-term liquidity ratio (Liquidity Coverage Ratio – LCR) and a long term liquidity ratio (Net Stable Funding Ratio – NSFR) is presented in section 5.8 *Liquidity risk*.

The phased-in application of the LCR has been set up to reach gradually 100% in 2018. In 2017, the minimum liquidity coverage ratio has been set at 80% of total net cash outflows during the 30-day stress period.

- **introduction of the new bank resolution scheme**

The new bank resolution scheme applies as of 1 January 2016, together with the definition of the TLAC (Total Loss Absorbing Capacity) ratio applicable to global systemically important banks (G-SIBs), in accordance with the recommendations of the Financial Stability Board approved during the G20 Antalya summit in November 2015. G-SIBs will be required to meet the minimum requirements as of 1 January 2019, and stricter requirements from 1 January 2022 (see *Capital adequacy and capital planning* in section 5.2).

Furthermore, two recent proposals can be noted:

- on 23 November 2016, the European Commission proposed a text as an amendment to Regulation (EU) No. 575/2013 of 26 June 2013 (CRR), Directive 2013/36/EU (CRD 4), Regulation (EU) No. 806/2014 (Single Resolution Mechanism Regulation), and Directive 2014/59/EU (Bank Recovery and Resolution Directive).

  These proposals concern in particular the level of the leverage ratio, the methods for calculating the net stable funding ratio (NSFR) and the TLAC requirements for G-SIBs;
- on 7 December 2017, the Group of Governors and Heads of Supervision (GHOS) approved the reforms finalising the Basel 3 regulatory framework. They consist of a revision of the framework for credit risk, credit valuation adjustment (CVA) risk, and operational risk, the procedures for calculating the leverage ratio and its requirement level for G-SIBs, and the introduction of a floor for the calculation of risk-weighted assets when an internal method is used.

  The Basel Committee plans an application as of 1 January 2022. To be applicable, these reforms must be transposed into European law by the European Commission.

In chapter 5 the figures presented may not seem to add up in certain columns or lines due to their rounding off.

# 5.1 Annual risk survey

## KEY FIGURES

### CAPITAL RATIOS

#### TABLE 1: CAPITAL RATIOS

*Phased-in ratios*

| *In millions of euros* | Phased-in | |
|---|---|---|
| | 31 December 2017 | 31 December 2016 |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL** | **76,135** | **74,075** |
| **TIER 1 CAPITAL** | **84,417** | **82,152** |
| **TOTAL CAPITAL** | **94,658** | **92,454** |
| **RISK-WEIGHTED ASSETS** | **640,644** | **638,207** |
| RATIOS | | |
| Common Equity Tier 1 (CET1) capital | 11.9% | 11.6% |
| Tier 1 capital | 13.2% | 12.9% |
| Total capital | 14.8% | 14.5% |



*Fully loaded ratios(*)*

| *In millions of euros* | Fully loaded(*) | |
|---|---|---|
| | 31 December 2017 | 31 December 2016 |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL** | **75,741** | **73,562** |
| **TIER 1 CAPITAL** | **83,766** | **80,944** |
| **TOTAL CAPITAL** | **94,039** | **90,868** |
| **RISK-WEIGHTED ASSETS** | **642,070** | **640,673** |
| RATIOS | | |
| Common Equity Tier 1 (CET1) capital | 11.8% | 11.5% |
| Tier 1 capital | 13.0% | 12.6% |
| Total capital | 14.6% | 14.2% |

(*) *In accordance with grandfathered Additional Tier 1 and Tier 2 eligibility rules applicable as of 2019.*

The Group's balance sheet is very solid, with a fully loaded CET1 ratio of 11.8% as at 31 December 2017, up 30 basis points over 31 December 2016, due primarily to the appropriation to reserves of net income for the year after dividends (+60bp) and the increase in risk-weighted assets (-30 bp excluding foreign exchange and scope effects). The foreign exchange effect and the main acquisition and disposal effects had a negligible impact on the ratio.

This ratio is above the phased-in and fully loaded requirements. The phased-in Common Equity Tier 1 capital requirement (excluding countercyclical capital buffer) for the Group is 8% in 2017 and 9.125% in 2018. From 2019, the expected fully loaded Common Equity Tier 1 capital requirement is 9.75% (excluding countercyclical capital buffer). It was 10.25% before the reduction in the G-SIB capital buffer from 2% to 1.5% in 2017.

Pursuant to Regulation (EU) 2016/2067, the new IFRS 9 accounting standard on classifying and measuring financial instruments becomes effective on 1 January 2018, replacing IAS 39 (see note 1.a.2 to the consolidated financial statements). The estimated impact of the first-time application of IFRS 9 is limited for the Group, with a reduction of approximately 10 basis points in the Group's fully loaded CET1 ratio.

Under its 2017-2020 development plan, the Group's objective is a CET1 ratio of 12% and a total capital ratio of 15% in 2020, at constant regulatory framework.

## OTHER REGULATORY RATIOS

### TABLE 2: LEVERAGE RATIO

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **LEVERAGE RATIO**(*) | **4.6%** | **4.4%** |

(*) *See Capital adequacy and capital planning in section 5.2.*

### TABLE 3: LIQUIDITY COVERAGE RATIO LCR(*)

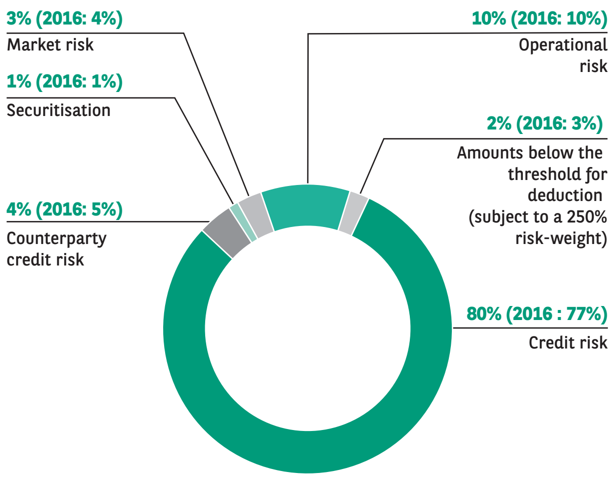
| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **LIQUIDITY COVERAGE RATIO (LCR AT YEAR-END)** | **121%** | **123%** |

(*) *See Liquidity risk management and supervision in section 5.8.*

## RISK WEIGHTED ASSETS BY RISK TYPE AND BY BUSINESS LINE

Risk-weighted assets are presented in this chapter pursuant to full application of Basel 3 regulations, *i.e.* without taking transitional arrangements into account (see paragraph *Risk-weighted assets – Impact of transitional arrangements* in section *Capital requirement and Risk-weighted assets*).

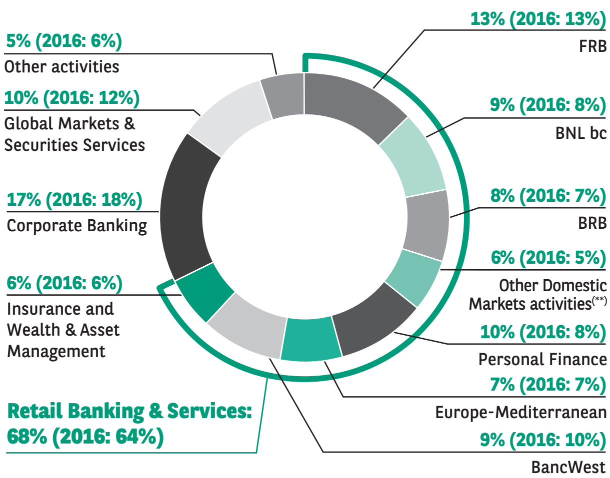
### FIGURE 1: RISK-WEIGHTED ASSETS BY RISK TYPE(*)




(*) *Breakdown at 31 December 2017 excluding impacts of transitional arrangements. Proforma breakdown at 31 December 2016 to take into consideration the EBA guidelines.*

Most of the Group's exposures are subject to credit risk. Market risk is limited to 3% of the Group's risk-weighted assets as of 31 December 2017.

### FIGURE 2: RISK-WEIGHTED ASSETS BY BUSINESS LINE(*)



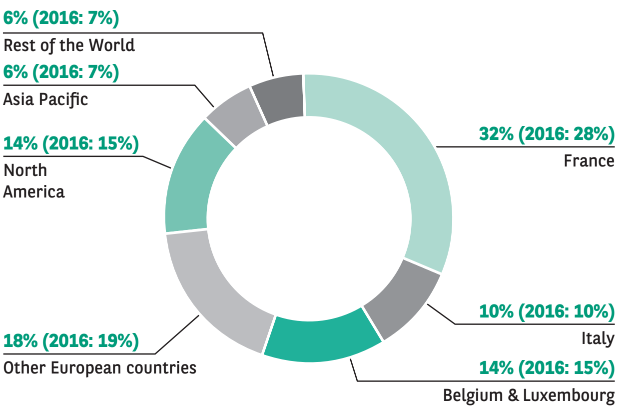

(*) *Breakdown at 31 December 2017 excluding impacts of transitional arrangements.*

(**) *Including Luxembourg.*

As at 31 December 2017, the Group's risks are well spread and no single business makes up more than 17% of its risk-weighted assets. Retail Banking & Services account for 68% of risk-weighted assets.

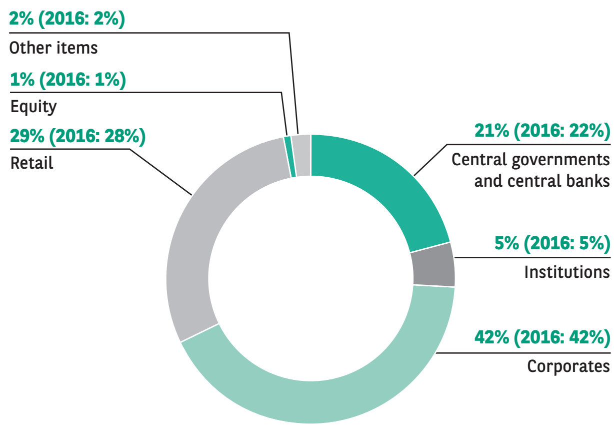
## FOCUS ON THE LOAN PORTFOLIO

### FIGURE 3: CREDIT RISK EXPOSURES BY GEOGRAPHICAL REGION(*)




*(*) Breakdown at 31 December 2017. Data at 31 December 2016 proforma.*

### FIGURE 4: CREDIT RISK EXPOSURES BY ASSET CLASS(*)




*(*) Breakdown at 31 December 2017. Data at 31 December 2016 proforma.*

As at 31 December 2017, more than 88% of the Group's credit risk exposure was concentrated in developed countries (See the section *Credit risk diversification* in section 5.4 *Credit risk* for more details about the diversification of the Group's exposures).

### TABLE 4: LOAN QUALITY

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **DOUBTFUL LOANS(*)/LOANS(**)** | **3.3%** | **3.8%** |
| **COVERAGE RATIO(***)** | **91%** | **89%** |
| **COST OF RISK/CUSTOMER LOANS (IN ANNUALISED BP)** | **39** | **46** |

*(*) Doubtful loans to customers and credit institutions excluding repos, netted of guarantees.*
*(**) Gross outstanding loans to customers and credit institutions excluding repos.*
*(***) Specific and collective provisions to gross doubtful loans, balance sheet and off-balance sheet, netted of guarantees.*

Credit exposure to sovereigns, financial institutions, corporates and specialised financing of Investment Grade counterparties represented 78% of IRBA credit risk exposure as of 31 December 2017, *versus* 77% at 31 December 2016.

## TOP AND EMERGING RISKS

The identification and monitoring of top and emerging risks are central to BNP Paribas' approach to risk management.

These risks are identified, analysed and managed through different work and analyses carried out by the Risk Function (Risk), the divisions and the businesses, and through several committees which give rise to actions and decisions:

- a close follow-up of macroeconomic and financial conditions with the objective of organising them into a hierarchy with regard to the consequences for BNP Paribas portfolio, and designing adverse scenarios. This close monitoring is delivered quarterly to the General Management as well as to the Internal Control, Risk Management and Compliance Committee (CCIRC) through a dashboard presented by Risk;
- a close monitoring of the risk profile in accordance with the directives and thresholds approved by the Board of Directors;
- cross-functional policies on concentration or corporate social responsibility among others;
- market and liquidity risk decisions made by Group ALM Committee (or ALCo, see section *Governance* of section 5.3 *Risk management*) and the Capital Markets Risk Committee (CMRC);
- key decisions made by committees with respect to specific transactions at the highest level;
- proposals for new activities or new products;
- portfolio/business reviews by Risk Policy Committees, on topics selected by the Group's Executive Management through the Risk Forum for the upcoming year;
- proactive and forward-looking discussions on emerging risks and their impacts on the Bank's risk profile in the Risk Anticipation Committee;
- an analysis and a monitoring of changes to the regulatory framework and their consequences on the Bank's capital and liquidity management as well as on its activities.

### TOP RISKS

A top risk is defined as having:

- the potential to have a material impact, across a business area or geographical area, on the financial results, reputation or sustainability of the Group; and
- the potential of occurring in the near future.

The main risks to which the Group is exposed are described below.

#### Macroeconomic environment

Macroeconomic and market conditions affect the Bank's results. The nature of the Bank's business makes it particularly sensitive to macroeconomic and market conditions in Europe, which have been at times challenging and volatile in recent years.

In 2017, global growth increased to about 3.5%, reflecting an improvement in all geographic regions. In the large developed countries, this increase in activity is leading to a tightening of, or a tapering of accommodating monetary policy. However, with inflation levels still very moderate, the central banks are able to manage this transition very gradually, without compromising the economic outlook. The IMF expects worldwide growth to strengthen further in 2018 and has revised its forecast from +3.6% to +3.7%: the slight slowing down expected in the advanced economies should be more than offset by the forecast improvement in the emerging economies (driven by the recovery in Latin America and the Middle East, and despite the structural lower pace of economic growth in China).

In this context, the following two risk categories can be identified:

#### Risks of financial instability due to the conduct of monetary policies

Two risks should be emphasised: a sharp increase in interest rates and the current very accommodating monetary policy being maintained for too long.

On the one hand, the continued tightening of monetary policy in the United States (started in 2015) and the less-accommodating monetary policy in the euro zone (planned reduction in assets purchases starting in January 2018) involve risks of financial turbulence. The risk of a not adequately controlled rise in long-term interest rates may in particular be emphasised, under the scenario of an unexpected increase in inflation or an unanticipated tightening of monetary policies. If this risk materialises, it could have negative consequences on the asset markets, particularly those for which risk premiums are extremely low compared to their historic average, following a decade of accommodating monetary policies (credit to non-investment grade corporates or countries, certain sectors of the equity markets, real estate, etc.).

On the other hand, despite the upturn since mid-2016, interest rates remain low, which may encourage excessive risk-taking among some financial market participants: lengthening maturities of financings and assets held, less stringent credit policy, and an increase in leveraged financings. Some of these participants (insurance companies, pension funds, asset managers, etc.) have an increasingly systemic dimension and in the event of market turbulence (linked for example to a sharp rise in interest rates and/or a sharp price correction) they could be brought to unwind large positions in a relatively weak market liquidity.

#### Systemic risks related to increased debt

Macro-economically, the impact of a rate increase could be significant for countries with high public and/or private debt-to-GDP. This is particularly the case for the United States and certain European countries (in particular Greece, Italy, and Portugal), which are posting public debt-to-GDP ratios often above 100% but also for emerging countries.

Between 2008 and 2017, these latter recorded a marked increase in their debt, including foreign currency debt owed to foreign creditors. The private sector was the main source of the increase in this debt, but also the public sector to a lesser extent, particularly in Africa. These countries are particularly vulnerable to the prospect of a tightening in monetary policies in the advanced economies. Capital outflows could weigh on exchange rates, increase the costs of servicing that debt, import inflation, and cause the emerging countries' central banks to tighten their credit conditions. This would bring about a reduction in forecast economic growth, possible downgrades of sovereign ratings, and an increase in risks for the banks. While the exposure of the BNP Paribas Group to emerging countries is limited, the vulnerability of these economies may generate disruptions in the global financial system that could affect the Group and potentially alter its results.

It should be noted that debt-related risk could materialise, not only in the event of a sharp rise in interest rates, but also with any negative growth shocks.

## Laws and regulations applicable to financial institutions

Recent and future changes in the laws and regulations applicable to financial institutions may have a significant impact on the Bank. Measures that were recently adopted or which are (or whose application measures are) still in draft format, that have or are likely to have an impact on the Bank notably include:

- the structural reforms comprising the French banking law of 26 July 2013 requiring that banks create subsidiaries for or segregate "speculative" proprietary operations from their traditional Retail Banking activities, the "Volcker rule" in the US, which restricts proprietary transactions, sponsorship and investment in private equity funds and hedge funds by US and foreign banks, and upcoming potential changes in Europe;
- regulations governing capital: CRD 4/CRR, the international standard for Total-Loss Absorbing Capacity (TLAC) and the Bank's designation as a financial institution that is of systemic importance by the Financial Stability Board;
- the European Single Supervisory Mechanism and the ordinance of 6 November 2014;
- the Directive of 16 April 2014 related to deposit guarantee systems and its delegation and implementing Decrees, the Directive of 15 May 2014 establishing a Bank Recovery and Resolution framework, the Single Resolution Mechanism establishing the Single Resolution Council and the Single Resolution Fund;
- the Final Rule by the US Federal Reserve imposing tighter prudential rules on the US transactions of large foreign banks, notably the obligation to create a separate intermediary holding company in the US (capitalised and subject to regulation) to house their US subsidiaries;
- the new rules for the regulation of over the counter derivative activities pursuant to Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, notably margin requirements for non-cleared derivative products and the security derivatives traded by swap dealers, major swap participants, security-based swap dealers and major security-based swap participants, and the rules of the US Securities and Exchange Commission which require the registration of banks and major swap participants active on derivatives markets as well as transparency and reporting on derivative transactions;
- the new MiFID and MiFIR, and European regulations governing the clearing of certain over-the-counter derivative products by centralised counterparties and the disclosure of securities financing transactions to centralised bodies;
- the General Data Protection Regulation (GDPR) will become effective on 25 May 2018, moving the European data confidentiality environment forward and improving personal data protection within the European Union. Businesses run the risk of severe penalties if they do not comply with the standards set by the GDPR. This Regulation applies to all banks providing services to European citizens;
- the finalisation of Basel 3 published by the Basel committee in December 2017, introducing a revision to the measurement of credit risk, operational risk and CVA risk for the calculation of risk-weighted assets. These measures are expected to come into effect in January 2022 and will be subject to an output floor (based on standardised approaches), which will be gradually applied as of 2022 and reach its final level in 2027.

For a more detailed description, see the risk factor "*Laws and regulations adopted in response to the global financial crisis may materially impact the Bank and the financial and economic environment in which it operates*".

Moreover, in today's tougher regulatory context, the risk of non-compliance with existing laws and regulations, in particular those relating to the protection of the interests of customers, is a significant risk for the banking industry, potentially resulting in significant losses and fines[1]. In addition to its compliance system, which specifically covers this type of risk, the Group places the interest of its customers, and more broadly that of its stakeholders, at the heart of its values. The new code of conduct adopted by the Group in 2016 sets out detailed values and rules of conduct in this area.

## Cyber security and technology risk

BNP Paribas' ability to do business is intrinsically tied to the fluidity of electronic transactions as well as the protection and security of information and technology assets.

The technological change is accelerating with the digital transformation and the resulting increase in the number of communications circuits, proliferation in data sources, growing process automation, and greater use of electronic banking transactions.

The progress and acceleration of technological change are giving cybercriminals new options for altering, stealing, and disclosing data. The number of attacks is increasing, with a greater reach and sophistication in all sectors, including financial services.

(1) *Risk factors: "The Bank may incur substantial fines and administrative and criminal penalties for non-compliance with applicable laws and regulations and may also incur losses in related (or unrelated) litigation with private parties".*

The outsourcing of a growing number of processes also exposes the Group to structural cyber security and technology risks leading to the appearance of potential attack vectors that cybercriminals can exploit.

Accordingly, the Group has set up a second line of defence within the Risk Function with the creation of the Risk ORC ICT Team dedicated to managing cyber security and technology risk. Thus, standards are regularly adapted to support the Bank's digital evolution and innovation while managing existing and emerging threats (such as cyber-crime, espionage, etc.).

## EMERGING RISKS

An emerging risk is defined as a new or evolving risk which potential impact could be material in the future but is currently not fully known or is difficult to quantify.

In 2017, the Group identified emerging risks related to technological innovations, the evolving regulatory environments, climate-related issues, and certain geopolitical and demographic risks.

### Technological innovations

Technological developments related to the growing use of data in all production, marketing, and distribution processes, and to data sharing among economic players (producers, suppliers, and customers) will impact the economic models of our clients and counterparties in a lasting way. These impacts, which are sometimes hard to assess in a context where new standards, economic balances, and regulatory entities are in the process of evolving and adapting, are being analysed internally by sector specialists focused on the economic sectors most exposed to this evolution.

Furthermore, the Group's competitive environment is currently undergoing profound change, with the emergence of new Fintech players, though still relatively modest in size, and the emergence of technological innovations like blockchains, which disrupt the traditional value chains of our businesses, and place the quality of the customer experience, as well as the quality and use of the customer data collected, as their key competitive success factors. Maintenance of the Group's information systems must be done in this context of evolving value chains. The Group is deploying a proactive strategy in this area to adapt its activities to these major technological developments and promote some industrial cooperation with Fintech players.

### Evolving regulatory environments

Beyond the regulatory measures recently adopted or pending adoption, and already cited as Top Risks, the trend toward growing complexity and regional differences in the bank regulatory environment is creating relative uncertainty over future developments, compliance costs, and proper performance risk concerning the various measures. The Group has established an active monitoring system for its regulatory environment, enabling it to minimise these risks.

### Climate-related issues

Regarding the emerging risks related to climate issues, BNP Paribas has committed to aligning its financing and investment activities with the IEA (International Energy Agency) scenario, aiming to limit global warming to less than 2°C by the end of the century. Against this backdrop, BNP Paribas has decided on a new global financing policy for the exploration, production, and transport of unconventional hydrocarbons:

- the Group is ending its relationships with the players whose principal activities are the exploration, distribution, marketing, or trading of natural gas, shale oil, and/or oil extracted from oil sands;
- the Group is also discontinuing its financing of projects that are primarily dedicated to the transport and exploration of natural gas and shale oil or oil extracted from oil sands.

The Group also undertakes to not finance any project to explore or produce natural gas or shale oil in the Arctic.

### Geopolitical and demographic risks

Global trade saw renewed momentum in 2017, driven by strengthened activity in the main economies. However, certain risks are apparent in this area, particularly a certain reserve recently displayed by the United States with regard to multilateral trade agreements (withdrawal from the TPP, renegotiation of NAFTA). Any protectionist measures would weigh on the momentum of trade. On a more structural level, some developments are also limiting prospects for international trade (the near completion of the integration of emerging countries into the global economy, and the weight of services relative to industry). Other than the direct effects on sectors such as transport and logistics and the impact on revenue derived from international trade transactions, the stagnation of world trade carries the risk of prompting uncooperative behaviour between countries.

The ageing population is a major underlying trend in many countries. In the years and decades to come, it will significantly impact economic growth (this is already visible), as well as health care and retirement budgets, or savings and consumption behaviours.

## AREAS OF SPECIAL INTEREST IN 2017

### United Kingdom

The United Kingdom held a referendum on 23 June 2016 which resulted in a majority vote to leave the European Union ("Brexit"). Negotiations have been difficult since then, heightening fears that no agreement will be reached by March 2019. The economic consequences have been felt, in connection with the depreciation of the pound sterling and the weakening domestic and foreign investment. The BNP Paribas Group operates in the United Kingdom through several branches and subsidiaries (see section 8.6 *Locations by country* in chapter 8 *General Information*). Its business, which it carries out mainly with corporations through its BNP Paribas SA branch (United Kingdom branch), is of limited size for the scale of the Group and does not include a Retail Banking network in that country. At 31 December 2017, BNP Paribas generated 6.3% of its pre-tax operating income in the United Kingdom (see section 8.6 *Profit* *and loss account items and headcount by country* in chapter 8 *General Information*).

With respect to exposure to counterparties whose main business is in the United Kingdom, commercial commitments at 31 December 2017 represent 4.3% of the Group's total gross commitments, on- and off-balance sheet (see Table 24 *Credit risk exposure by geographical region*). Similarly, exposure to British sovereign risk is contained at 4.3% of the banking book's sovereign exposure (see Appendix 2 *Sovereign exposures*). The Bank's structural foreign exchange and interest rates position in pounds sterling is very moderate: outstanding loan amounts are low and funding in pounds sterling is largely matched.

BNP Paribas has the advantage of a diversified business model in Europe, in terms of both geographical and business mix and is well placed to adapt to this new environment.

The negotiations on withdrawal from the EU will determine the nature of future relations between the United Kingdom and the European Union concerning in particular trade, commercial, financial and legal agreements, which should be completed within two years. The risks associated with these negotiations are described in section 5.1 *Risk factors related to the macroeconomic and market environment*[1]. Against this backdrop, the Group is working with UK and European regulators.

## Turkey

In Turkey, the good growth in GDP appears largely dependent on public spending. A resurgence in tensions, as in 2016, would weigh on interest rates and the Turkish lira.



BNP Paribas's presence in Turkey is primarily through its TEB subsidiary (ranking No. 10 in Retail Banking in Turkey with a market share of approximately 3%). As at 31 December 2017, the Group generated 1.2% of its pre-tax operating income in this country (see section 8.6 *Locations, Profit and loss account items and headcount by country* in chapter 8 *General information*). TEB had a solvency ratio of 16.1% as at 31 December 2017, in excess of the regulatory requirements. TEB Group's risk-weighted assets and capital requirements are detailed in Appendix 5. With respect to exposure to counterparties whose main business is in Turkey, commercial commitments as at 31 December 2017 represent 2% of the Group's total gross commitments, on- and off-balance sheet (see Table 24 *Credit risk exposure by geographical region*). Similarly, exposure to Turkish sovereign risk is contained at 1.5% of the banking book's sovereign exposure and is essentially borne by TEB Group.

The slowdown in growth for TEB in Turkey resulted in a write-down of the full amount of goodwill on TEB in the amount of EUR 172 million in 2017 (see note to the financial statements 4.o).

## Others

Geopolitical tensions are high in certain areas, particularly Asia (North Korea) and the Middle East with the potential involvement of Western powers, to varying degrees. Even if the possible consequences of such risks are hard to assess, the regional economies in question, and the global economy, could be significantly impacted through different channels (confidence, trade ties, and commodity prices).

The risks associated with changes in the macroeconomic and market environment are described in section 5.1 *Risk factors*[2].

The analyses relating to the sectors (particularly that of shipping finance) are set out in the discussion of sector diversification in section 5.4.

The risk principles are presented in the Risk Appetite Statement approved by the Board of Directors (see *Risk appetite* in section 5.3).

The various types of risk to which the Group is exposed, as well as their definition, are described in the following sections:

- credit risk in section 5.4 (p. 299);
- securitisation in the banking book in section 5.5 (p. 344);
- counterparty credit risk in section 5.6 (p. 355);
- market risk in section 5.7 (p. 366);
- liquidity risk in section 5.8 (p. 384);
- operational risk in section 5.9 (p. 396);
- insurance risks in section 5.10 (p. 404).

(1) *Brexit risk factor "The UK referendum on the exit from the European Union could generate significant uncertainties, volatility and major changes in the European and global economic and financial markets, and have an adverse effect on the environment in which the Bank operates".*

(2) *In particular the risk factor "Because of the geographical scope of its activities, the Bank could be vulnerable to political, macroeconomic or financial environments or circumstances in a specific region or country".*

# RISK FACTORS

This section summarises the principal risks that the Bank currently considers itself to face. They are presented in the following categories: risks related to the macroeconomic and market environment, regulatory risks and risks related to the Bank, its strategy, management and operations.

## RISKS RELATED TO THE MACROECONOMIC AND MARKET ENVIRONMENT

***Difficult market and economic conditions have in the past had and may in the future have a material adverse effect on the operating environment for financial institutions and hence on the Bank's financial condition, results of operations and cost of risk.***

The Bank's businesses are highly sensitive to changes in financial markets and economic conditions globally and especially in Europe. In recent years, the Bank was, and may again in the future be, confronted with a significant deterioration of market and economic conditions resulting, among other things, from crises affecting sovereign debt and capital markets, the availability of credit or liquidity, regional or global recessions, sharp fluctuations in commodity prices, currency exchange rates or interest rates, volatility in prices of financial derivatives, inflation or deflation, counterparty restructurings or defaults, corporate or sovereign debt rating downgrades or adverse political and geopolitical events (such as natural disasters, pandemics, societal unrest, geopolitical tensions, acts of terrorism, cyber-attacks, military conflicts or threats thereof and related risks). Such disruptions, which may develop quickly and hence not be fully hedged, could affect the operating environment for financial institutions for short or extended periods and have a material adverse effect on the Bank's financial condition, results of operations or cost of risk.

Economies in the Bank's principal markets and generally speaking globally, experienced growth in 2017 and the cyclical recovery may continue in 2018. There are nonetheless downside risks arising from factors such as evolving monetary policies (and in particular the risk of sharper than expected tightening leading to financial turbulence), trends in inflation, geopolitical tensions, protectionist tendencies, and possible volatility in financial or commodity markets.

Moreover, a resurgence of sovereign debt tensions cannot be ruled out, particularly in a rising interest rate environment with increasing funding costs. In particular, European markets experienced significant disruptions at various points in recent years from this source, initially originating from concerns regarding the ability of certain countries or institutions in the euro zone to refinance their debt obligations. These disruptions have in certain periods caused tightened credit markets, increased volatility in the exchange rate of the euro against other major currencies, affected the levels of stock market indices and created uncertainty regarding the economic prospects of certain countries in the European Union as well as the quality of bank loans to sovereign debtors in the European Union. The Bank holds and may in the future hold substantial portfolios of sovereign debt and has and may in the future have substantial amounts of loans outstanding to sovereign borrowers; a new sovereign debt crisis could cause it to incur impairment charges or losses on sales. The Bank also participates in the interbank financial market and as a result, is indirectly exposed to risks relating to financial institutions with which it does business. More generally, the sovereign debt crisis had, and could again in the future have, an indirect impact on financial markets and, increasingly, economies, in Europe and worldwide, and more generally on the environment in which the Bank operates.

If economic conditions generally or in Europe in particular (the latter due to any of the above generally applicable factors or to heightened risk of or even the occurrence of a sovereign default, the failure of a significant financial institution or the exit of a country or territory from the euro zone or the European Union) were to deteriorate, the resulting market disruptions could have a significant adverse impact on the credit quality of the Bank's customers and financial institution counterparties, on market parameters such as interest rates, foreign exchange rates and stock market indices, and on the Bank's results of operations, liquidity, ability to raise financing on acceptable terms and financial condition.

***The United Kingdom's referendum to leave the European Union may lead to significant uncertainty, volatility and disruption in European and broader financial and economic markets and hence may adversely affect the Bank's operating environment.***

On 23 June 2016, the United Kingdom held a referendum in which a majority of its voters opted to leave the European Union ("Brexit") and on 29 March 2017, the government of the United Kingdom invoked article 50 of the Treaty on European Union (the "Lisbon Treaty") relating to withdrawal. Pursuant to article 50, the Lisbon Treaty and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement, or, failing that, two years after the relevant state notifies the European Council of its intention to withdraw, although this period may be extended in certain circumstances. Negotiations between the United Kingdom and the European Union to determine their relationship going forward, including regarding trade, financial and legal arrangements, are ongoing. The nature, timing and economic and political effects of Brexit remain highly uncertain and will depend upon the results of future negotiations between the United Kingdom and the European Union, and hence may adversely affect the Bank's operating environment and therefore its results and financial condition.

5

***Due to the geographic scope of its activities, the Bank may be vulnerable to country or regional-specific political, macroeconomic and financial environments or circumstances.***

The Bank is exposed to country risk, meaning the risk that economic, financial, political or social conditions of a foreign country, especially a country in which it operates, will affect its financial interests. The Bank monitors country risk and takes it into account in the fair value adjustments and cost of risk recorded in its financial statements. However, a significant change in political or macroeconomic environments may require it to record additional charges or to incur losses beyond the amounts previously written down in its financial statements. Moreover, factors specific to a particular country or region in which the Bank operates could create difficult operating conditions, leading to operating losses or asset impairments.

***The Bank's access to and cost of funding could be adversely affected by a resurgence of financial crises, worsening economic conditions, rating downgrades, increases in credit spreads or other factors.***

The financial crisis, the euro zone sovereign debt crisis as well as the general macroeconomic environment have at times adversely affected the availability and cost of funding for European banks in recent years. This was due to several factors, including a sharp increase in the perception of bank credit risk due to exposure to sovereign debt in particular, credit rating downgrades of sovereigns and of banks, and debt market speculation. Many European banks, including the Bank, at various points experienced restricted access to wholesale debt markets and to the interbank market, as well as a general increase in their cost of funding. Accordingly, reliance on direct borrowing from the European Central Bank (the "ECB") at times increased substantially. If such adverse credit market conditions were to reappear in the event of prolonged stagnation of growth, deflation, resurgence of the financial crisis, the sovereign debt crisis or new forms of financial crises, factors relating to the financial industry in general or to the Bank in particular, the effect on the liquidity of the European financial sector in general and the Bank in particular could be materially adverse and have a negative impact on the Bank's results of operations and financial condition.

***Downgrades in the credit ratings of France or of the Bank may increase the Bank's borrowing cost.***

The Bank's cost of obtaining long-term unsecured funding from market investors is also directly related to its credit spreads, which in turn depend to a certain extent on its credit ratings. Increases in credit spreads can significantly increase the Bank's cost of funding. Changes in credit spreads are continuous, market-driven, and subject at times to unpredictable and highly volatile movements. Credit spreads are also influenced by market perceptions of creditworthiness of the Bank.

***Significant interest rate changes could adversely affect the Bank's revenues or profitability.***

The amount of net interest income earned by the Bank during any given period significantly affects its overall revenues and profitability for that period. Interest rates are affected by many factors beyond the Bank's control, such as the level of inflation and the monetary policies of states, and government decisions relating to regulated savings rates.

Changes in market interest rates could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. Any adverse change in the yield curve could cause a decline in the Bank's net interest income from its lending activities. In addition, maturity mismatches and interest rates rises relating to the Bank's short-term financing may adversely affect the Bank's profitability.

***The prolonged low interest rate environment carries inherent systemic risks, and an exit from such environment also carries risks.***

Since the 2008-2009 financial crisis, global markets have been characterized by an extended period of low interest rates. During such periods, interest rate spreads tend to tighten, and the Bank may be unable to lower interest rates on deposits sufficiently to offset reduced income from lending at lower interest rates. In addition, the Bank has been facing an increase in early repayment and refinancing of mortgages and other fixed-rate consumer and corporate loans as clients take advantage of lower borrowing costs. This, along with the issuance of new loans at the low prevailing market interest rates, has resulted in a decrease in the average interest rate of the Bank's portfolio of loans thereby causing a decline in the Bank's net interest income from its lending activities. Moreover, an environment of persistently low interest rates can also have the effect of flattening the yield curve in the market more generally, which could reduce the premium generated by the Bank from its funding activities. Additionally, the prolonged period of low interest rates may have contributed to, and may continue to contribute to, excessive risk-taking by financial market participants such as lengthening maturities of financings and assets held, more lenient lending standards and increased leveraged lending. Certain of the market participants that may have taken or may take additional or excessive risk are of systemic importance, and any unwinding of their positions during periods of market turbulence or stress (and hence reduced liquidity) could have a destabilizing effect on markets and could lead the Bank to record operating losses or asset impairments.

The end of a period of prolonged low interest rates, in particular due to tightening monetary policy, also carries risks. In this respect, the US Federal Reserve has been tightening its monetary policy since 2015 and the ECB has announced that it will significantly reduce asset purchases between January and September 2018, and reductions could continue thereafter. Any sharper or more rapid than expected tightening could have a negative impact on the economic recovery. On the lending side, it could in particular cause stress in loan and bond portfolios, possibly leading to an increase in non-performing exposures and defaults. Moreover, it may cause additional financial strain on sovereigns with particularly high debt to GDP ratios, such as countries on the periphery of the Eurozone as well as in Africa, with attendant increased asset quality concerns for their lenders. The Bank's underwriting activity could also be affected particularly in relation to non-investment grade lending. On the borrowing side, should the Bank's hedging strategies prove ineffective or provide only a partial hedge, the Bank could incur losses due to higher refinancing costs. More generally, the ending of accommodative monetary policies (including liquidity infusions from central bank asset purchases) may lead to severe corrections in certain markets or asset classes (e.g., non-investment grade corporate and sovereign borrowers, certain sectors of equities and real estate) that particularly benefitted (including from very low risk premia as compared to historical averages) from the prolonged low interest rate and high liquidity environment, and such corrections could potentially be contagious to financial markets generally, including through substantially increased volatility.

***The soundness and conduct of other financial institutions and market participants could adversely affect the Bank.***

The Bank's ability to engage in financing, investment and derivative transactions could be adversely affected by the soundness of other financial institutions or market participants. Financial institutions are interrelated as a result of trading, clearing, counterparty, funding or other relationships. As a result, defaults, or even rumours or questions about, one or more financial services institutions, or the financial services industry generally, may lead to market-wide liquidity problems and could lead to further losses or defaults. The Bank has exposure to many counterparties in the financial industry, directly and indirectly, including clearing houses, brokers and dealers, commercial banks, investment banks, mutual and alternative investment funds, and other institutional clients with which it regularly executes transactions. The Bank may also be exposed to risks related to the increasing involvement in the financial sector of players and the introduction of new types of transactions subject to little or no regulation (e.g., unregulated funds, trading venues or crowdfunding platforms). The Bank is exposed to credit and counterparty risk in the event of default or financial distress of the Bank's counterparties or clients. This risk could be exacerbated if the collateral held by the Bank cannot be realised upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to the Bank or in case of a failure of a significant financial market participant such as a central counterparty. It is worth noting in this respect that regulatory changes requiring mandatory clearing of standardized over-the-counter (OTC) derivatives through central counterparties have resulted in an increase of the exposure of financial market participants to such central counterparties.

In addition, fraud or misconduct by financial market participants can have a material adverse effect on financial institutions due in particular to the interrelated nature of the financial markets. An example is the fraud perpetrated by Bernard Madoff that came to light in 2008, as a result of which numerous financial institutions globally, including the Bank, announced losses or exposure to losses in substantial amounts. The Bank remains the subject of various claims in connection with the Madoff matter; see note 7.b Notes to the financial statements "Contingent liabilities: legal proceedings and arbitration".

There can be no assurance that any losses resulting from the risks summarised above will not materially and adversely affect the Bank's results of operations.

***The Bank may incur significant losses on its trading and investment activities due to market fluctuations and volatility.***

The Bank maintains trading and investment positions in the debt, currency, commodity and equity markets, and in unlisted securities, real estate and other asset classes, including through derivative contracts. These positions could be adversely affected by extreme volatility in these markets, i.e., the degree to which prices fluctuate over a particular period in a particular market, regardless of market levels. Moreover, volatility trends that prove substantially different from the Bank's expectations may lead to losses relating to a broad range of other products that the Bank uses, including swaps, forward and future contracts, options and structured products.

To the extent that the Bank owns assets, or has net long positions, in any of those markets, a market downturn could result in losses from a decline in the value of its positions. Conversely, to the extent that the Bank has sold assets that it does not own, or has net short positions in any of those markets, a market upturn could, in spite of the existing limitation of risks and control systems, expose it to potentially substantial losses as it attempts to cover its net short positions by acquiring assets in a rising market. The Bank may from time to time hold a long position in one asset and a short position in another, in order to hedge transactions with clients and/or from which it expects to gain based on changes in the relative value of the two assets. If, however, the relative value of the two assets changes in a direction or manner that the Bank did not anticipate or against which it is not hedged, the Bank might realise a loss on those paired positions. Such losses, if significant, could adversely affect the Bank's results and financial condition.

***The Bank may generate lower revenues from brokerage and other commission and fee-based businesses during market downturns.***

Financial and economic conditions affect the number and size of transactions for which the Bank provides securities underwriting, financial advisory and other Investment Banking services. The Bank's revenues, which include fees from these services, are directly related to the number and size of the transactions in which it participates and can thus be significantly affected by economic or financial changes that are unfavourable to its Investment Banking business and clients. In addition, because the fees that the Bank charges for managing its clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of its clients' portfolios or increases the amount of withdrawals would reduce the revenues the Bank receives from its asset management, equity derivatives and Private Banking businesses. Independently of market changes, below-market performance by the Bank's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenues the Bank receives from its asset management business. The Bank experienced some or all of these effects during the sharp market downturns of recent years and could experience them again in future market downturns, which may occur periodically and unexpectedly.

***Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and possibly leading to material losses.***

In some of the Bank's businesses, protracted market movements, particularly asset price declines, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Bank cannot close out deteriorating positions in a timely way. This is particularly true for assets that are intrinsically illiquid. Assets that are not traded on stock exchanges or other public trading markets, such as certain derivative contracts between financial institutions, may have values that the Bank calculates using models rather than publicly-quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to significant losses that the Bank did not anticipate.



## REGULATORY RISKS

***Laws and regulations adopted in recent years, particularly in response to the global financial crisis, as well as new legislative proposals, may materially impact the Bank and the financial and economic environment in which it operates.***

Laws and regulations have been enacted in the past few years or could be adopted, in particular in France, Europe and the United States, with a view to introducing a number of changes, some permanent, in the financial environment. The impact of the new measures has changed substantially the environment in which the Bank and other financial institutions operate. The new measures that have been or may be proposed and adopted include more stringent capital and liquidity requirements (particularly for large global banking groups such as the Bank), taxes on financial transactions, restrictions and increased taxes on employee compensation over specified levels, restrictions on certain types of activities considered as speculative undertaken by commercial banks that will be prohibited or need to be ring-fenced in subsidiaries (particularly proprietary trading), restrictions or prohibitions on certain types of financial products or activities, enhanced recovery and resolution regimes, changes to risk-weighting methodologies and the methods of using internal models that could lead to increased capital requirements, increased internal control and reporting requirements with respect to certain activities, more stringent governance and conduct of business rules, more extensive market abuse regulations, measures to improve the transparency and efficiency of financial markets and in particular to regulate high frequency trading, increased regulation of certain types of financial products including mandatory reporting of derivative and securities financing transactions, requirements either to mandatorily clear, or otherwise mitigate risks in relation to, over-the-counter derivative transactions (including through posting of collateral in respect of non-centrally cleared derivatives), enhanced privacy and cyber security requirements and the creation of new and strengthened supervisory bodies. Most of these measures have been adopted and are already applicable to the Bank; the principal such measures are summarized below. Other similar or new measures may be proposed and adopted.

***French and European Laws and regulations***

In 2013 and 2014, France made significant changes to its legal and regulatory framework applicable to banking institutions. The French banking law of 26 July 2013 on the separation and regulation of banking activities (*Loi de séparation et de régulation des activités bancaires*) and the related implementing decrees and orders specified the required separation between financing operations activities and so-called "speculative" operations that have been, since 1 July 2015, conducted by ring-fenced subsidiaries subject to specific capital and liquidity requirements on a stand-alone basis. This banking law also introduced a mechanism for preventing and resolving banking crises, which is supervised by the French banking regulator ("*Autorité de Contrôle Prudentiel et de Résolution*", "ACPR") with expanded powers. In the event of a failure, the law provides for mechanisms such as the power to require banks to adopt structural changes, issue new securities, cancel outstanding equity or subordinated debt securities and convert subordinated debt into equity, and to require the intervention of the French Deposit Guarantee and Resolution Fund ("*Fonds de Garantie des Dépôts et de Résolution*"). The Ordinance of 20 February 2014 provided in particular for the strengthening of the governance rules within banking institutions, a reinforced and harmonised at the EU level sanctions regime, an extended scope of prudential surveillance with in particular additional prudential requirements, a harmonisation of the rules relating to the approval of credit institutions within the European Union, and an update of the rules relating to the consolidated surveillance and the exchange of information.

At the European level, many of the provisions of the EU Directive and Regulation on prudential requirements (the "CRD 4/CRR") dated 26 June 2013, implementing the Basel 3 capital requirements, took effect as of 1 January 2014 and many delegated and implementing acts provided for in the Directive and Regulation CRD 4/CRR were adopted in 2014. The prudential ratio requirements and the designation of the Bank as a systemically important financial institution increased the Bank's prudential requirements and may limit its ability to extend credit or to hold certain assets, particularly those with longer maturities. In addition, the Financial Stability Board published on 9 November 2015 the final principles and term sheet regarding Total Loss Absorbing Capacity ("TLAC", and such term sheet, the "FSB TLAC Term Sheet"), which will require "Global Systemically Important Banks" or "G-SIBs" (including the Bank), in addition to the Basel 3 capital requirements, to maintain a significant amount of liabilities and instruments readily available for bail-in in order to enable authorities to implement an orderly resolution that minimises impacts on financial stability, maintains the continuity of critical functions, and avoids exposing public funds to loss. Given the timing and manner of their adoption, the full impact of TLAC requirements on the Bank cannot be accurately predicted and could cause its financing costs to increase.

Regarding the European "Banking Union", the European Union adopted, in October 2013, a single supervisory mechanism (the "SSM") under the supervision of the ECB; as a consequence, since November 2014, the Bank, along with all institutions qualified as important in the euro zone, are now under the direct supervision of the ECB, with respect to prudential regulation matters entrusted to the ECB by Council Regulation dated 15 October 2013. Within the SSM, the ECB is, in particular, tasked with carrying out an annual supervisory review and evaluation process (SREP), stress tests and specific reviews (such as the targeted review of internal models), in connection with which it has powers to require banks to hold capital in excess of minimum capital requirements, and more generally to impose additional liquidity requirements or other supervisory measures. Such measures could have an adverse impact on the Bank's results of operations and financial condition.

In addition to the SSM, the EU Bank Recovery and Resolution Directive of 15 May 2014 ("BRRD"), implemented in France by the Ordinance of 20 August 2015, strengthens the tools to prevent and resolve banking crises, in particular in order to ensure that any losses are borne in priority by banks' creditors and shareholders and to minimize taxpayers' exposure to losses and provides for the implementation of resolution funds at the national levels.

Under the BRRD and the Ordinance of 20 August 2015, the ACPR or the Single Resolution Board (the "SRB"), which was established by Regulation of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a single resolution mechanism (the "SRM") and a single resolution fund (the "SRF"), may commence resolution proceedings in respect of a banking institution, such as the Bank, with a view to ensure the continuity of critical functions, to avoid the risks of contagion and to recapitalize or restore the viability of the institution.

Resolution powers are to be implemented so that, subject to certain exceptions, losses are borne first by shareholders, then by holders of additional capital instruments qualifying as Tier 1 and Tier 2 (such as subordinated bonds), then by the holders of senior non preferred debt and finally by the holders of senior preferred debt, all in accordance with the order of their claims in normal insolvency proceedings.

Resolution authorities have broad powers to implement resolution measures with respect to institutions and groups subject to resolution proceedings, which may include (without limitation): the total or partial sale of the institution's business to a third party or a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, the full or partial write-down of capital instruments, the dilution of capital instruments through the issuance of new equity, the full or partial write-down or conversion into equity of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), discontinuing the listing and admission to trading of financial instruments, the dismissal of managers or the appointment of a special manager (*administrateur spécial*).

Certain powers, including the full or partial write-down of capital instruments, the dilution of capital instruments through the issuance of new equity, the full or partial write-down or conversion into equity of additional capital instruments qualifying as Tier 1 and Tier 2 (such as subordinated bonds), can also be exercised as a precautionary measure, outside of resolution proceedings and/or pursuant to the European Commission's State Aid framework if the institution requires exceptional public financial support.

The implementation of these tools and powers may result in significant structural changes to the relevant financial institutions and their groups (including as a result of asset or business sales or the creation of bridge institutions) and in a partial or total write-down, modification or variation of claims of shareholders and creditors. Such powers may also result, after any transfer of all or part of the Bank's business or separation of any of its assets, in the holders of securities (even in the absence of any such write-down or conversion) being left as the creditors of the Bank whose remaining business or assets are insufficient to support the claims of all or any of the creditors of the Bank.

Pursuant to the SRM, on 19 December 2014, the Council adopted the proposal for a Council implementing act to calculate the contributions of banks to the SRF, which replaces national resolution funds as from 1 January 2016 and provides for annual contributions to the SRF to be made by banks calculated on the basis of their liabilities, excluding own funds and covered deposits and adjusted for risks. Moreover, the European Commission Regulation dated 21 October 2014, adopted pursuant to the BRRD provides for an obligation for banks to have adequate financial resources to ensure the effective application of the resolution tools and powers by the relevant resolution authority. In this context, the resolution authorities, such as the ACPR or the SRB, determined the annual contributions that must be paid to resolution financing arrangements by each banking institution in proportion to its risk profile. As a consequence, contributions to the SRF and to resolution financing arrangements are significant for the Bank and hence weigh on its results of operations.

Moreover, the Directive of 16 April 2014 on deposit guarantee schemes, transposed into French law by the Ordinance of 20 August 2015, created national deposit guarantee schemes. Other proposals for legislative and regulatory reforms could also have an impact if they were enacted into law. Thus, a draft European Parliament Regulation dated 24 November 2015 completed such Directive of 16 April 2014 through a step plan to create a European deposit insurance scheme that will progressively cover all or part of participating national deposit guarantee schemes.

On 23 November 2016, the European Commission issued several legislative proposals proposing to amend a number of key EU banking directives and regulations, including CRD 4/CRR, BRRD and the SRM, the purpose of which is *inter alia* to reflect more accurately long-term funding risk and excessive leverage, increase the loss-absorption capacity of globally significant institutions, improve the treatment of market risks by increasing the risk sensitivity of the existing rules and increase convergence within the European Union in the area of insolvency law and restructuring proceedings, particularly through the introduction of a

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moratorium tool. On 8 November 2017, the ECB published two opinions on these proposals. These proposals remain subject to amendments by the Parliament and the Council and are scheduled to be adopted in 2019. It is not yet possible to assess whether these proposals will be adopted in full or what their impact will be.

In December 2017, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), endorsed the outstanding Basel III post-crisis regulatory reforms. The reforms endorsed by the GHOS include a revised standardized approach for credit risk, revisions to the internal ratings-based approach for credit risk, revisions to the credit valuation adjustment (CVA) framework, a revised standardized approach for operational risk, revisions to the measurement of the leverage ratio and a leverage ratio buffer for G-SIBs (including the Bank), which will take the form of a Tier 1 capital buffer set at 50% of a G-SIB's risk-weighted capital buffer; and an aggregate output floor, which will ensure that banks' risk-weighted assets (RWAs) generated by internal models are no lower than 72.5% of RWAs as calculated by the Basel III framework's standardized approaches. These new rules are expected to come into effect in 2022 and the output floor is expected to be implemented gradually beginning in January 2022 and reaching its final level in 2027. This agreement will be subject to consultation and impact assessment before it is implemented into EU law.

Finally, new regulations designed to enhance the transparency and soundness of financial markets, such as the so-called "EMIR" Regulation of 4 July 2012 on OTC derivatives, central counterparties and trade repositories and the measures adopted or to be adopted thereunder (including in relation to the Commission delegated Regulation of 4 October 2016 that specifies how margin should be calculated and exchanged in respect of non-cleared OTC derivative contracts), Regulation of 25 November 2015 on transparency of securities financing transactions and Directive and Regulation of 15 May 2014 on markets in financial instruments (MiFID 2) may be a source of additional uncertainty and compliance risk and, more generally, the costs incurred due to the implementation of such regulations may have a negative impact on the profitability of certain activities currently conducted by the Bank and weigh on the Bank's results of operations and financial condition.

In May and June 2017, the Commission published two proposed regulations amending EMIR. Among the proposed changes, the EU authorities' power to supervise third country central counterparties would be strengthened and, when a third country central counterparty poses significant risks to the financial stability of the Member States, EU authorities could request that such central counterparty be established and authorized in the EU (so-called "location policy"). While the full implications of such location policy, particularly in the context of Brexit, remain uncertain, it could, if implemented, entail operational risks and increased costs and therefore weigh on the Bank's results of operations and financial condition.

*U.S. Laws and Regulations*

Bank regulation in the United States has been substantially changed and expanded in the wake of the financial crisis, including as follows. A final rule issued by the Board of Governors of the U.S. Federal Reserve System (the "Federal Reserve Board") imposing enhanced prudential standards on the U.S. operations of large foreign banks required the Bank to designate or create an intermediate holding company ("IHC") for its U.S. subsidiaries by 1 July 2016. The Bank's IHC, BNP Paribas USA, Inc., must comply with risk-based and leverage capital requirements, liquidity requirements, long-term debt requirements, supervisory stress testing and capital planning requirements as well as other prudential requirements on a consolidated basis at the IHC level. In addition, on 4 March 2016, the Federal Reserve Board re-proposed single counterparty credit limits that would apply to both the U.S. IHCs and the combined U.S. operations (including U.S. branch operations) of systemically important foreign banking organizations (such as the Bank). Under proposals that remain under consideration, the IHC and the combined U.S. operations of the Bank may become subject to limits on credit exposures to any single counterparty, and the combined U.S. operations of the Bank may also become subject to an early remediation regime which could be triggered by risk-based capital, leverage, stress tests, liquidity, risk management and market indicators. The Federal Reserve Board has also indicated that it is considering future rulemakings that could apply the U.S. rules implementing the Basel III liquidity coverage ratio and net stable funding ratio to the combined U.S. operations (including U.S. branch operations) of certain large foreign banking organizations. The scope and timing for the implementation of these liquidity requirements as well as additional expected changes to the capital and stress testing requirements and their impact on the Bank is difficult to predict at this point. On 15 December 2016, the Federal Reserve Board issued final rules that implement in the United States the Financial Stability Board's standards for a TLAC framework (the "U.S. TLAC rules"). The final rules require, among other things, the Bank's U.S. IHC to maintain minimum levels of TLAC, consisting of the IHC's Tier 1 capital plus a minimum amount of long-term debt satisfying certain eligibility criteria, and a related TLAC buffer. The Bank will be subject to these requirements commencing 1 January 2019. The Bank's U.S. IHC will be required to issue this long-term debt internally to the Bank or any foreign affiliate that is wholly owned, directly or indirectly, by the Bank, for so long as the Bank's U.S. IHC is considered a "non-resolution covered IHC" under the U.S. TLAC rules, meaning the Bank is subject to a single-point-of-entry resolution strategy that does not involve the U.S. IHC entering to resolution or similar proceedings in the United States. The rules also impose limitations on the types and amount of other financial transactions that the Bank's U.S. IHC may engage in. On 23 September 2016, the Federal Reserve Board proposed additional prudential requirements with respect to the physical commodity activities of financial holding companies ("FHCs") (such as the Bank), including significantly elevated capital requirements for physical commodity activities (and for investments in merchant banking companies that engage in physical commodity activities) that, according to the Federal Reserve Board, have the potential to expose an FHC to environmental liability. Finally, the "Volcker Rule", adopted by the U.S. regulatory authorities in December 2013, places certain restrictions on the ability of U.S. and non-U.S. banking entities, including the Bank and its affiliates, to engage in proprietary trading and to sponsor or invest in private equity and hedge funds. The Bank was generally required to come into compliance with the Volcker Rule by July 2015, although the Federal Reserve Board extended the conformance deadline for pre-2014 "legacy" investments in and relationships with private equity funds and hedge funds until 21 July 2017. In June 2017, the Federal Reserve Board granted the Bank an extended transition period to conform investments in certain illiquid funds under the Volcker Rule for an additional five years (i.e., until 21 July 2022). The Volcker Rule's implementing regulations are highly complex and may be subject to further regulatory amendments, interpretation and guidance, and its full impact will not be known with certainty for some time. U.S. regulators have also recently adopted or proposed new rules regulating OTC derivatives activities under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). In late 2015, the Federal Reserve Board and other U.S. banking regulators finalized margin requirements applicable to uncleared swaps and security-based swaps entered into by swap dealers, major swap participants, security-based swap dealers and major security-based swap participants that are regulated by one of the U.S. banking regulators, including the Bank. These margin requirements, which began to come into effect in phases beginning in September 2016, require the Bank to post and collect additional, high-quality collateral for certain transactions, increasing the costs of uncleared swaps and security-based swaps offered by the Bank to its customers who are "U.S. persons" as defined under the rules which apply globally. The U.S. Commodity Futures Trading Commission also finalized rules in 2016 that will require additional interest rate swaps to be cleared, which are expected to come into effect in phases based on the implementation of parallel clearing requirements in non-U.S. jurisdictions and in any event by October 2018, and has also proposed rules that would apply position limits to certain physical commodity swaps. The U.S. Securities and Exchange Commission also finalized rules in 2015 and 2016 regarding the registration of security-based swap dealers and major security-based swap participants, business conduct and trade acknowledgment and verification requirements for such entities, and obligations relating to transparency and mandatory reporting of security-based swap transactions. Further rules and regulations are expected in 2018 to complete this regulatory framework. The scope and timing for the implementation of these requirements, and therefore their impact on the Bank's swap business, is difficult to predict at this stage.

In sum, extensive legislative and regulatory reform in respect of financial institutions has been enacted in recent years and some remains in progress. In addition, following the 2016 U.S. presidential election, there is uncertainty surrounding the regulatory agenda of the administration which includes proposals to repeal or significantly reduce a number of elements of the Dodd-Frank Act. It is impossible to accurately predict which additional measures will be adopted or to determine the exact content of such measures and, given the complexity and uncertainty of a number of these measures, their ultimate impact on the Bank. The overall effect of these measures, whether already adopted or in the process of being adopted, has been and may further be to restrict the Bank's ability to allocate and apply capital and funding resources, limit its ability to diversify risk, reduce the availability of certain funding and liquidity resources, increase its funding costs, increase the cost for or reduce the demand for the products and services it offers, result in the obligation to carry out internal reorganizations, structural changes or divestitures, affect its ability to conduct (or impose limitations on) certain types of business as currently conducted, limit its ability to attract and retain talent, and, more generally, affect its competitiveness and profitability, which would in turn have an adverse effect on its business, financial condition, and results of operations.

***The Bank is subject to extensive and evolving regulatory regimes in the jurisdictions in which it operates.***

The Bank faces the risk of changes in legislation or regulation in all of the countries in which it operates, including, but not limited to, the following:

- monetary, liquidity, interest rate and other policies of central banks and regulatory authorities;
- changes in government or regulatory policy that may significantly influence investor decisions, in particular in the markets in which the Group operates;
- changes in regulatory requirements applicable to the financial industry, such as rules relating to applicable governance, remunerations, capital adequacy and liquidity frameworks, restrictions on activities considered as speculative and recovery and resolution frameworks;
- changes in securities regulations as well as in financial reporting, disclosure and market abuse regulations;
- changes in the regulation of certain types of transactions and investments, such as derivatives and securities financing transactions and money market funds;
- changes in the regulation of market infrastructures, such as trading venues, central counterparties, central securities depositories, and payment and settlement systems;

- changes in the regulation of payment services, crowdfunding and fintech;
- changes in the regulation of data privacy and cyber security;
- changes in tax legislation or the application thereof;
- changes in accounting norms;
- changes in rules and procedures relating to internal controls, risk management and compliance; and
- expropriation, nationalisation, price controls, exchange controls, confiscation of assets and changes in legislation relating to foreign ownership.

These changes, the scope and implications of which are highly unpredictable, could substantially affect the Bank and have an adverse effect on its business, financial condition and results of operations. Some reforms not aimed specifically at financial institutions, such as measures relating to the funds industry or promoting technological innovation (such as open data projects), could facilitate the entry of new players in the financial services sector or otherwise affect the Bank's business model, competitiveness and profitability, which could in turn affect its financial condition and results of operations.

***The Bank may incur substantial fines and other administrative and criminal penalties for non-compliance with applicable laws and regulations, and may also incur losses in related (or unrelated) litigation with private parties.***

The Bank is exposed to regulatory compliance risk, i.e. the failure to comply fully with the laws, regulations, codes of conduct, professional norms or recommendations applicable to the financial services industry. This risk is exacerbated by the adoption by different countries of multiple and occasionally diverging and even conflicting legal or regulatory requirements. Besides damage to the Bank's reputation and private rights of action (including class actions introduced into French law in 2014), non-compliance could lead to material legal proceedings, fines and expenses (including fines and expenses in excess of recorded provisions), public reprimand, enforced suspension of operations or, in extreme cases, withdrawal by the authorities of operating licenses. This risk is further exacerbated by continuously increasing regulatory scrutiny of financial institutions as well as substantial increases in the quantum of applicable fines and penalties. Moreover, litigation by private parties against financial institutions has substantially increased in recent years. Accordingly, the Bank faces significant legal risk in its business, and the volume and amount of damages claimed in litigation, regulatory proceedings and other adversarial proceedings against financial services firms have substantially increased in recent years and may increase further.

In this respect, on 30 June 2014 the Bank entered into a series of agreements with, and was the subject of several orders issued by, U.S. federal and New York state government agencies and regulatory authorities including the U.S. Department of Justice, the New York County District Attorney's Office, the U.S. Attorney's Office for the Southern District of New York, the Board of Governors of the Federal Reserve System, the Office of Foreign Assets Control of the U.S. Department of the Treasury and the New York State Department of Financial Services, in settlement of investigations into violations of U.S. laws and regulations regarding economic sanctions. The fines and penalties imposed on the Bank as part of this settlement included, among other things, the payment of monetary penalties amounting in the aggregate to USD 8.97 billion (EUR 6.6 billion), guilty pleas by BNP Paribas SA, the parent company of the BNP Paribas Group, to charges of having violated U.S. federal criminal law (conspiracy to violate the Trading with the Enemy Act and the International Emergency Economic Powers Act) and New York State criminal law (conspiracy and falsifying business records), and the suspension of the New York branch of BNP Paribas for (a) a one-year period (2015) of USD direct clearing focused mainly on the Oil & Gas Energy and Commodity Finance business line in certain locations and (b) a two-year period of U.S. dollar clearing as a correspondent bank for unaffiliated third party banks in New York and London. Following this settlement, the Bank remains subject to increased scrutiny by regulatory authorities (including via the presence within the Bank of an independent consultant) who are monitoring its compliance with a remediation plan agreed with them.

The Bank is currently involved in various litigations and investigations as summarized in note 7.b "Contingent liabilities: legal proceedings and arbitration" to its 2017 consolidated financial statements. It may become involved in further such matters at any point. No assurance can be given that an adverse outcome in one or more of such matters would not have a material adverse effect on the Bank's operating results for any particular period.

## RISKS RELATED TO THE BANK, ITS STRATEGY, MANAGEMENT AND OPERATIONS

***Risks related to the implementation of the Bank's strategic plans and commitment to environmental responsibility.***

The Bank has announced a strategic plan for the 2017-2020 period presented on 7 February 2017. This plan contemplates a number of initiatives, including the implementation of new customer pathways, the digital transformation of the Bank, continuing to improve operating efficiency and various business development initiatives.

The plan includes a number of financial targets and objectives relating to net banking income, operating costs, net income, capital adequacy ratios and return on equity, among other things. These financial targets and objectives were established primarily for purposes of internal planning and allocation of resources, and are based on a number of assumptions with regard to business and economic conditions.

The Bank's actual results could vary significantly from these targets and objectives for a number of reasons, including the occurrence of one or more of the risk factors described elsewhere in this section.

Additionally, as part of the Bank's commitment to environmental responsibility within its CSR policy, it has announced a number of initiatives to support the energy transition towards a low-carbon economy, including a reduction in financing for energies with the most negative environmental impact. These measures (and any future ones along similar lines) may in certain cases adversely affect the Bank's results in the relevant sectors.

***The Bank may experience difficulties integrating acquired companies and may be unable to realise the benefits expected from its acquisitions.***

The Bank makes acquisitions on a regular basis. Integrating acquired businesses is a long and complex process. Successful integration and the realisation of synergies require, among other things, proper coordination of business development and marketing efforts, retention of key members of management, policies for effective recruitment and training as well as the ability to adapt information and computer systems. Any difficulties encountered in combining operations could result in higher integration costs and lower savings or revenues than expected. There will accordingly be uncertainty as to the extent to which anticipated synergies will be achieved and the timing of their realisation. Moreover, the integration of the Bank's existing operations with those of the acquired operations could interfere with the respective businesses and divert management's attention from other aspects of the Bank's business, which could have a negative impact on the business and results of the Bank. In some cases, moreover, disputes relating to acquisitions may have an adverse impact on the integration process or have other adverse consequences, including financial ones.

Although the Bank undertakes an in-depth analysis of the companies it plans to acquire, such analyses often cannot be complete or exhaustive. As a result, the Bank may increase its exposure to doubtful or troubled assets and incur greater risks as a result of its acquisitions, particularly in cases in which it was unable to conduct comprehensive due diligence prior to the acquisition.

***Intense competition by banking and non-banking operators could adversely affect the Bank's revenues and profitability.***

Competition is intense in all of the Bank's primary business areas in France and the other countries in which it conducts a substantial portion of its business, including other European countries and the United States. Competition in the banking industry could intensify as a result of consolidation in the financial services area or as a result of the presence of new players in the payment and the financing services area or the development of crowdfunding platforms. In particular, competitors subject to less extensive regulatory requirements or to less strict capital requirements (*e.g.*, debt funds, shadow banks), or benefiting from economies of scale, data synergies or technological innovation (*e.g.*, internet and mobile operators, digital platforms, fintechs), could be more competitive. If the Bank is unable to respond to the competitive environment in France or in its other major markets by offering attractive and profitable product and service solutions, it may lose market share in key areas of its business or incur losses on some or all of its activities. In addition, downturns in the economies of its principal markets could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for the Bank and its competitors. It is also possible that the presence in the global marketplace of State-owned financial institutions, or financial institutions benefiting from State guarantees or other similar advantages, or the imposition of more stringent requirements (particularly capital requirements and business restrictions) on large or systemically significant financial institutions, could lead to distortions in competition in a manner adverse to large private-sector institutions such as the Bank.

***A substantial increase in new provisions or a shortfall in the level of previously recorded provisions could adversely affect the Bank's results of operations and financial condition.***

In connection with its lending activities, the Bank regularly establishes provisions for loan losses, which are recorded in its profit and loss account under "cost of risk". The Bank's overall level of provisions is based on its assessment of prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although the Bank seeks to establish an appropriate level of provisions, its lending businesses may have to increase their provisions for loan losses substantially in the future as a result of deteriorating economic conditions or other causes. Any significant increase in provisions for loan losses or a significant change in the Bank's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the related provisions, could have a material adverse effect on the Bank's results of operations and financial condition.

The Bank also establishes provisions for contingencies and charges including in particular provisions for litigations. Any loss arising from a risk that has not already been provisioned or that is greater than the amount of the provision would have a negative impact on the Bank's results of operation and, potentially, its financial condition.

***The Bank's risk management policies, procedures and methods may leave it exposed to unidentified or unanticipated risks, which could lead to material losses.***

The Bank has devoted significant resources to developing its risk management policies, procedures and assessment methods and intends to continue to do so in the future. Nonetheless, the Bank's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic and market environments or against all types of risk, particularly risks that the Bank may have failed to identify or anticipate. The Bank's ability to assess the creditworthiness of its customers or to estimate the values of its assets may be impaired if, as a result of market turmoil such as that experienced in recent years, the models and approaches it uses become less predictive of future behaviour, valuations, assumptions or estimates. Some of the Bank's qualitative tools and metrics for managing risk are based on its use of observed historical market behaviour. The Bank applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. The process the Bank uses to estimate losses inherent in its credit exposure or estimate the value of certain assets requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of its borrowers to repay their loans or impact the value of assets, which may, during periods of market disruption, be incapable of accurate estimation and, in turn, impact the reliability of the process. These tools and metrics may fail to predict future risk exposures, e.g., if the Bank does not anticipate or correctly evaluate certain factors in its statistical models, or upon the occurrence of an event deemed extremely unlikely by the tools and metrics. This would limit the Bank's ability to manage its risks. The Bank's losses could therefore be significantly greater than the historical measures indicate. In addition, the Bank's quantified modelling does not take all risks into account. Its more qualitative approach to managing certain risks could prove insufficient, exposing it to material unanticipated losses.

***The Bank's hedging strategies may not prevent losses.***

If any of the variety of instruments and strategies that the Bank uses to hedge its exposure to various types of risk in its businesses is not effective, the Bank may incur losses. Many of its strategies are based on historical trading patterns and correlations. For example, if the Bank holds a long position in an asset, it may hedge that position by taking a short position in another asset where the short position has historically moved in a direction that would offset a change in the value of the long position. However, the hedge may only be partial, or the strategies used may not protect against all future risks or may not be fully effective in mitigating the Bank's risk exposure in all market environments or against all types of risk in the future. Unexpected market developments may also reduce the effectiveness of the Bank's hedging strategies. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in the Bank's reported earnings.

***Adjustments to the carrying value of the Bank's securities and derivatives portfolios and the Bank's own debt could have an impact on its net income and shareholders' equity.***

The carrying value of the Bank's securities and derivatives portfolios and certain other assets, as well as its own debt, in its balance sheet is adjusted as of each financial statement date. Most of the adjustments are made on the basis of changes in fair value of its assets or its debt during an accounting period, with the changes recorded either in the income statement or directly in shareholders' equity. Changes that are recorded in the income statement, to the extent not offset by opposite changes in the value of other assets, affect its consolidated revenues and, as a result, its net income. All fair value adjustments affect shareholders' equity and, as a result, its capital adequacy ratios. The fact that fair value adjustments are recorded in one accounting period does not mean that further adjustments will not be needed in subsequent periods.

***The expected changes in accounting principles relating to financial instruments may have an impact on the Bank's balance sheet, income statement and regulatory capital ratios and result in additional costs.***

In July 2014, the International Accounting Standards Board published International Financial Reporting Standard 9 ("IFRS 9") "Financial Instruments" adopted by the European Union, which replaced IAS 39 as from 1 January 2018. The standard amends and complements the rules on the classification and measurement of financial instruments and will lead the Bank to record certain reclassifications in substantial amounts on its balance sheet. The new standard includes an impairment model based on expected credit losses (ECL), while the IAS 39 model was based on provisions for incurred losses, and new rules on general hedge accounting. The new approach based on ECL will result in substantial additional impairment charges for the Bank and could add volatility to its regulatory capital ratios, and the costs incurred by the Bank relating to the implementation of such norms may have a negative impact on its results of operations; see note 1 to the 31 December 2017 financial statements for a detailed discussion of the transition to IFRS 9.

***The Bank's competitive position could be harmed if its reputation is damaged.***

Considering the highly competitive environment in the financial services industry, a reputation for financial strength and integrity is critical to the Bank's ability to attract and retain customers. The Bank's reputation could be harmed if it fails to adequately promote and market its products and services. The Bank's reputation could also be damaged if, as it increases its client base and the scale of its businesses, the Bank's comprehensive procedures and controls dealing with conflicts of interest fail, or appear to fail, to address conflicts of interest properly. At the same time, the Bank's reputation could be damaged by employee misconduct, fraud or misconduct by market participants to which the Bank is exposed, a decline in, a restatement of, or corrections to its financial results, as well as any adverse legal or regulatory action such as the settlement the Bank entered into in with the U.S. authorities for violations of U.S. laws and regulations regarding economic sanctions. Such risks to reputation have recently increased as a result of the growing use of social networks within the economic sphere. The loss of business that could result from damage to the Bank's reputation could have an adverse effect on its results of operations and financial position.

***An interruption in or a breach of the Bank's information systems may result in material losses of client or customer information, damage to the Bank's reputation and lead to financial losses.***

As with most other banks, the Bank relies heavily on communications and information systems to conduct its business. This dependency has increased with the spread of mobile and online banking services, and the development of cloud computing and blockchain technologies. Any failure or interruption or breach in security of these systems could result in failures or interruptions in the Bank's customer relationship management, general ledger, deposit, servicing and/or loan organisation systems. The Bank cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. An increasing number of companies (including financial institutions) have in recent years experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and highly targeted attacks on their computer networks. Because the techniques used to obtain unauthorised access, disable or degrade service, steal confidential data or sabotage information systems have become more sophisticated, change frequently and often are not recognised until launched against a target, the Bank and its third-party service providers may be unable to anticipate these techniques or to implement in a timely manner effective and efficient countermeasures. Any failures of or interruptions in the Bank's information systems or those of its providers and any subsequent disclosure of confidential information related to any client, counterpart or employee of the Bank (or any other person) or any intrusion or attack against the Bank's communication system could cause significant losses and have an adverse effect on the Bank's reputation, financial condition and results of operations.

***Unforeseen external events may disrupt the Bank's operations and cause substantial losses and additional costs.***

Unforeseen events such as an adverse change in the political, military or diplomatic environments, political and social unrest, severe natural disasters or climate change-related events, a pandemic, terrorist attacks, military conflicts, cyber-attacks or other states of emergency could affect the demand for the products and services offered by the Bank, or lead to an abrupt interruption of the Bank's operations, in France or abroad, and could cause substantial losses that may not necessarily be covered by an insurance policy. Such losses can relate to property, financial assets, trading positions, personal data and key employees. Such unforeseen events could also lead to temporary or longer-term business interruption, additional costs (such as relocation of employees affected) and increase the Bank's costs (particularly insurance premiums).

# 5.2 Capital management and capital adequacy

## SCOPE OF APPLICATION

The prudential scope of application defined in Regulation (EU) No. 575/2013 on capital requirements is not the same as the accounting scope of consolidation whose composition concerns the application of IFRS as adopted by the European Union. The notes to the consolidated financial statements cover the accounting consolidation scope.

The consolidation principles and the scope of consolidation in accordance with the accounting consolidation method used are described respectively in notes 1.b and 7.h to the consolidated financial statements.

### PRUDENTIAL SCOPE

In accordance with banking regulation, BNP Paribas Group has defined a prudential scope to monitor capital ratios calculated on consolidated data. Its specificities are as follows:

- insurance companies (primarily BNP Paribas Cardif and its subsidiaries) that are fully consolidated within the accounting scope are consolidated under the equity method in the prudential scope;
- jointly controlled entities (mainly UCI Group entities and Bpost banque) are consolidated under the equity method in the accounting scope and under the proportional consolidation method in the prudential scope.

The differences between the accounting and prudential scopes of consolidation are summarised in the table below.

## ➤ TABLE 5: DIFFERENCES BETWEEN THE ACCOUNTING AND PRUDENTIAL SCOPES (EU LI3)

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | | Method of regulatory consolidation | | | | |
| Name of the entity | Method of accounting consolidation | Full consolidation | Proportional consolidation | Equity method | Neither consolidated nor deducted | Description of the entity |
| BNP Paribas Cardif and its subsidiaries(*) | Full consolidation | | | x | | Insurance |
| BNPP SB Re | Full consolidation | | | x | | Insurance |
| Darnell Ltd | Full consolidation | | | x | | Insurance |
| Greenval Insurance Co Ltd | Full consolidation | | | x | | Insurance |
| Le Sphinx Assurances Luxembourg SA | Full consolidation | | | x | | Insurance |
| Collective investment funds(**) | Full consolidation | | | | x | Asset Management |
| Banque Solféa | Equity method | | x | | | Personal Finance |
| Bpost banque | Equity method | | x | | | Retail Banking |
| Genius Auto Finance Co Ltd | Equity method | | x | | | Personal Finance |
| Lyf SA | Equity method | | x | | | New Digital Businesses |
| Lyf SAS | Equity method | | x | | | New Digital Businesses |
| Sundaram BNPP Home Finance Ltd | Equity method | | x | | | Personal Finance |
| Union de Creditos Inmobiliarios SA | Equity method | | x | | | Personal Finance |
| Fonds Commun de Créances UCI et RMBS Prado | Equity method | | x | | | Personal Finance |

*(*) BNP Paribas Cardif subsidiaries are identified in the note 7.h to the consolidated financial statements (Insurance).*
*(**) Collective investment funds are identified in the note 7.h to the consolidated financial statement (footnote (4)).*

The table below shows the differences between the accounting and prudential scopes of consolidation for each balance sheet item.

## ➤ TABLE 6: CONSOLIDATED BALANCE SHEET TO PRUDENTIAL BALANCE SHEET RECONCILIATION (EU LI1-A)

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| *In millions of euros* | Accounting scope | Adjustment of insurance companies | Other adjustments related to consolidation methods(*) | Prudential scope | Reference to capital table (see Appendix 3) |
| ASSETS | | | | | |
| Cash and amounts due from central banks | 178,446 | - | 129 | 178,575 | - |
| Financial instruments at fair value through profit or loss | | | | | |
| Trading securities | 119,452 | 1 | - | 119,453 | - |
| Loans and repurchase agreements | 143,558 | 4,569 | - | 148,127 | - |
| Instruments designated as at fair value through profit or loss | 96,932 | (96,239) | - | 693 | - |
| Derivative financial instruments | 230,230 | (330) | (9) | 229,891 | - |
| Derivatives used for hedging purposes | 13,756 | (40) | 3 | 13,719 | - |
| Available-for-sale financial assets | 231,975 | (111,675) | 3,297 | 123,597 | - |
| *of which own funds instruments in credit or financial institutions more than 10%-owned* | *823* | *2,490* | - | *3,313* | *1* |
| *of which own funds instruments in credit or financial institutions less than 10%-owned* | *1,639* | - | - | *1,639* | *2* |
| Loans and receivables due from credit institutions | 45,670 | (1,135) | (3,518) | 41,017 | - |
| *of which own funds instruments in credit or financial institutions more than 10%-owned* | *401* | - | *(40)* | *361* | *1* |
| *of which own funds instruments in credit or financial institutions less than 10%-owned* | - | - | - | - | *2* |
| Loans and receivables due from customers | 727,675 | 855 | 7,111 | 735,641 | - |
| *of which own funds instruments in credit or financial institutions more than 10%-owned* | *132* | *387* | *(32)* | *487* | *1* |
| *of which own funds instruments in credit or financial institutions less than 10%-owned* | *26* | - | - | *26* | *2* |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 3,064 | - | - | 3,064 | - |
| Held-to-maturity financial assets | 4,792 | (4,231) | - | 561 | - |
| Current and deferred tax assets | 6,568 | (40) | 72 | 6,600 | - |
| Accrued income and other assets | 107,211 | (5,758) | 302 | 101,755 | - |
| Equity-method investments | 6,812 | 4,516 | (650) | 10,678 | - |
| *of which investments in credit or financial institutions* | *3,256* | - | *(658)* | *2,598* | *1* |
| *of which goodwill* | - | *264* | - | *264* | *3* |
| Investment property | 7,065 | (6,213) | - | 852 | - |
| Property, plant and equipment | 24,148 | (394) | 6 | 23,760 | - |
| Intangible assets | 3,327 | (276) | 10 | 3,061 | - |
| *of which intangible assets excluding mortgage servicing rights* | *3,288* | *(276)* | *10* | *3,022* | *3* |
| Goodwill | 9,571 | (279) | 15 | 9,307 | 3 |
| **TOTAL ASSETS** | **1,960,252** | **(216,669)** | **6,768** | **1,750,351** | **-** |

| In millions of euros | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | Accounting scope | Adjustment of insurance companies | Other adjustments related to consolidation methods(*) | Prudential scope | Reference to capital table (see Appendix 3) |
| **LIABILITIES** | | | | | |
| Due to central banks | 1,471 | - | - | 1,471 | - |
| Financial instruments at fair value through profit or loss | | | | | |
| Trading securities | 69,313 | - | - | 69,313 | - |
| Borrowings and repurchase agreements | 172,147 | - | - | 172,147 | - |
| Instruments designated as at fair value through profit or loss | 53,441 | (953) | - | 52,488 | - |
| *of which liabilities qualifying for Tier 1 capital* | *205* | - | - | *205* | *4* |
| *of which liabilities qualifying for Tier 2 capital* | *164* | - | - | *164* | *5* |
| Derivative financial instruments | 228,019 | (368) | (9) | 227,642 | - |
| Derivatives used for hedging purposes | 15,682 | (29) | 10 | 15,663 | - |
| Due to credit institutions | 76,503 | (4,101) | 259 | 72,661 | - |
| Due to customers | 766,890 | (5,314) | 4,968 | 766,544 | - |
| Debt securities | 148,156 | 2,611 | 1,295 | 152,062 | - |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 2,372 | - | 1 | 2,373 | - |
| Current and deferred tax liabilities | 2,466 | 47 | 92 | 2,605 | - |
| Accrued expenses and other liabilities | 86,135 | (2,914) | 119 | 83,340 | - |
| Technical reserves of insurance companies | 203,436 | (203,436) | - | - | - |
| Provisions for contingencies and charges | 11,061 | (354) | 32 | 10,739 | - |
| Subordinated debt | 15,951 | (1,706) | 1 | 14,246 | - |
| *of which liabilities qualifying for Tier 1 capital* | - | - | - | - | *4* |
| *of which liabilities qualifying for Tier 2 capital* | *13,808* | - | - | *13,808* | *5* |
| **TOTAL LIABILITIES** | **1,853,043** | **(216,517)** | **6,768** | **1,643,294** | **-** |
| Share capital and related share premium accounts | 27,084 | - | - | 27,084 | 6 |
| Own equity instruments | (87) | - | - | (87) | - |
| Undated Super Subordinated Notes | 8,172 | 10 | - | 8,182 | 7 |
| Non-distributed reserves | 55,925 | - | - | 55,925 | - |
| Changes in assets and liabilities recognised directly in equity | 3,130 | - | - | 3,130 | 8 |
| Net income for the period attributable to shareholders | 7,760 | - | - | 7,760 | 9 |
| Minority interests | 5,226 | (163) | - | 5,063 | 10 |
| **TOTAL CONSOLIDATED EQUITY** | **107,209** | **(152)** | **-** | **107,057** | **-** |
| **TOTAL LIABILITIES AND EQUITY** | **1,960,252** | **(216,669)** | **6,768** | **1,750,351** | **-** |

(*) *Adjustment of jointly controlled entities under proportional consolidation for prudential purposes, consolidated using the equity-method in the accounting scope.*

| *In millions of euros* | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | Accounting scope | Adjustment of insurance companies | Other adjustments related to consolidation methods(*) | Prudential scope | Reference to capital table (see Appendix 3) |
| **ASSETS** | | | | | |
| Cash and amounts due from central banks | 160,400 | (1) | 246 | 160,645 | - |
| Financial instruments at fair value through profit or loss | | | | | |
| Trading securities | 123,679 | - | - | 123,679 | - |
| Loans and repurchase agreements | 152,242 | 5,345 | - | 157,587 | - |
| Instruments designated as at fair value through profit or loss | 87,644 | (86,231) | - | 1,413 | - |
| Derivative financial instruments | 328,162 | (264) | (14) | 327,884 | - |
| Derivatives used for hedging purposes | 18,133 | (50) | - | 18,083 | - |
| Available-for-sale financial assets | 267,559 | (113,969) | 4,096 | 157,686 | - |
| *of which own funds instruments in credit or financial institutions more than 10%-owned* | *922* | *2,590* | - | *3,512* | *1* |
| *of which own funds instruments in credit or financial institutions less than 10%-owned* | *1,923* | - | - | *1,923* | *2* |
| Loans and receivables due from credit institutions | 47,411 | (1,159) | (3,350) | 42,902 | - |
| *of which own funds instruments in credit or financial institutions more than 10%-owned* | *441* | - | *(40)* | *401* | *1* |
| *of which own funds instruments in credit or financial institutions less than 10%-owned* | - | - | - | - | *2* |
| Loans and receivables due from customers | 712,233 | 1,313 | 4,855 | 718,401 | - |
| *of which own funds instruments in credit or financial institutions more than 10%-owned* | *137* | *387* | *(37)* | *487* | *1* |
| *of which own funds instruments in credit or financial institutions less than 10%-owned* | *26* | - | - | *26* | *2* |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,664 | - | - | 4,664 | - |
| Held-to-maturity financial assets | 6,100 | (5,546) | - | 554 | - |
| Current and deferred tax assets | 7,966 | 4 | 42 | 8,012 | - |
| Accrued income and other assets | 115,967 | (5,919) | 323 | 110,371 | - |
| Equity-method investments | 6,910 | 4,150 | (563) | 10,497 | - |
| *of which investments in credit or financial institutions* | *3,317* | - | *(563)* | *2,753* | *1* |
| *of which goodwill* | *387* | *222* | - | *609* | *3* |
| Investment property | 1,911 | (1,354) | - | 557 | - |
| Property, plant and equipment | 22,523 | (398) | 3 | 22,128 | - |
| Intangible assets | 3,239 | (216) | 7 | 3,030 | - |
| *of which intangible assets excluding mortgage servicing rights* | *3,192* | *(216)* | *7* | *2,982* | *3* |
| Goodwill | 10,216 | (222) | - | 9,994 | 3 |
| **TOTAL ASSETS** | **2,076,959** | **(204,517)** | **5,645** | **1,878,087** | **-** |

| *In millions of euros* | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | Accounting scope | Adjustment of insurance companies | Other adjustments related to consolidation methods(*) | Prudential scope | Reference to capital table (see Appendix 3) |
| LIABILITIES | | | | | |
| Due to central banks | 233 | - | - | 233 | - |
| Financial instruments at fair value through profit or loss | | | | | |
| Trading securities | 70,326 | - | (23) | 70,303 | - |
| Borrowings and repurchase agreements | 183,206 | - | - | 183,206 | - |
| Instruments designated as at fair value through profit or loss | 54,076 | (645) | (1) | 53,430 | - |
| *of which liabilities qualifying for Tier 1 capital* | *162* | - | - | *162* | *4* |
| *of which liabilities qualifying for Tier 2 capital* | *421* | - | - | *421* | *5* |
| Derivative financial instruments | 318,740 | (337) | (14) | 318,389 | - |
| Derivatives used for hedging purposes | 19,626 | (28) | 17 | 19,615 | - |
| Due to credit institutions | 75,660 | (2,721) | (158) | 72,781 | - |
| Due to customers | 765,953 | (5,466) | 4,693 | 765,180 | - |
| Debt securities | 153,422 | 2,140 | 894 | 156,456 | - |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,202 | - | - | 4,202 | - |
| Current and deferred tax liabilities | 3,087 | (71) | 88 | 3,104 | - |
| Accrued expenses and other liabilities | 99,407 | (2,404) | 117 | 97,120 | - |
| Technical reserves of insurance companies | 193,626 | (193,626) | - | - | - |
| Provisions for contingencies and charges | 11,801 | (319) | 32 | 11,514 | - |
| Subordinated debt | 18,374 | (893) | - | 17,481 | - |
| *of which liabilities qualifying for Tier 1 capital* | - | - | - | - | *4* |
| *of which liabilities qualifying for Tier 2 capital* | *16,662* | - | - | *16,662* | *5* |
| **TOTAL LIABILITIES** | **1,971,739** | **(204,370)** | **5,645** | **1,773,014** | **-** |
| Share capital and related share premium accounts | 26,995 | - | - | 26,995 | 6 |
| Own equity instruments | (82) | - | - | (82) | - |
| Undated Super Subordinated Notes | 8,430 | 11 | - | 8,441 | 7 |
| Non-distributed reserves | 51,451 | - | - | 51,451 | - |
| Changes in assets and liabilities recognised directly in equity | 6,169 | - | - | 6,169 | 8 |
| Net income for the period attributable to shareholders | 7,702 | - | - | 7,702 | 9 |
| Minority interests | 4,555 | (158) | - | 4,397 | 10 |
| **TOTAL CONSOLIDATED EQUITY** | **105,220** | **(147)** | **-** | **105,073** | **-** |
| **TOTAL LIABILITIES AND EQUITY** | **2,076,959** | **(204,517)** | **5,645** | **1,878,087** | **-** |

(*) *Adjustment of jointly controlled entities under proportional consolidation for prudential purposes, consolidated using the equity-method in the accounting scope.*

The following table shows the breakdown of the different categories of assets and liabilities recognised on the Bank's balance sheet by regulatory risk type. The sum of the amounts thus broken down is not necessarily equal to the net book values of the prudential scope, because some items may be subject to capital requirements for several types of risk.

## TABLE 7: PRUDENTIAL BALANCE SHEET BY RISK TYPE (EU LI1-B)

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | | items subject to: | | | | |
| *In millions of euros* | Net carrying values: prudential scope | credit risk framework | counterparty credit risk framework | securitisation framework | market risk framework | Not subject to capital requirements or deducted from capital |
| **ASSETS** | | | | | | |
| Cash and amounts due from central banks | 178,575 | 178,575 | - | - | - | - |
| Financial instruments at fair value through profit or loss | - | - | - | - | - | - |
| Trading securities | 119,453 | 21 | 4,737 | - | 119,432 | 27 |
| Loans and repurchase agreements | 148,127 | 226 | 147,141 | - | 146,937 | - |
| Instruments designated as at fair value through profit or loss | 693 | 394 | 206 | - | - | 94 |
| Derivative financial instruments | 229,891 | - | 229,891 | - | 228,980 | - |
| Derivatives used for hedging purposes | 13,719 | - | 13,719 | - | - | - |
| Available-for-sale financial assets | 123,597 | 120,856 | 1,108 | 91 | - | 2,632 |
| Loans and receivables due from credit institutions | 41,017 | 37,595 | 2,925 | - | - | 497 |
| Loans and receivables due from customers | 735,641 | 698,638 | 14,333 | 21,177 | - | 1,493 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 3,064 | - | - | - | - | 3,064 |
| Held-to-maturity financial assets | 561 | 560 | - | - | - | 1 |
| Current and deferred tax assets | 6,600 | 5,722 | - | - | - | 804 |
| Accrued income and other assets | 101,755 | 24,285 | 75,996 | - | 20,154 | 222 |
| Equity-method investments | 10,678 | 10,040 | - | - | - | 609 |
| Investment property | 852 | 852 | - | - | - | 3 |
| Property, plant and equipment | 23,760 | 23,638 | - | - | - | 121 |
| Intangible assets | 3,061 | 39 | - | - | - | 3,022 |
| Goodwill | 9,307 | - | - | - | - | 9,308 |
| **TOTAL ASSETS** | **1,750,351** | **1,101,441** | **490,056** | **21,268** | **515,503** | **21,896** |

| *In millions of euros* | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Net carrying values: prudential scope | items subject to: | | | | Not subject to capital requirements or deducted from capital |
| | | credit risk framework | counterparty credit risk framework | securitisation framework | market risk framework | |
| **LIABILITIES** | | | | | | |
| Due to central banks | 1,471 | - | - | - | - | 1,471 |
| Financial instruments at fair value through profit or loss | - | - | - | - | - | - |
| Trading securities | 69,313 | - | - | - | 69,283 | 29 |
| Borrowings and repurchase agreements | 172,147 | - | 167,664 | - | 172,139 | - |
| Instruments designated as at fair value through profit or loss | 52,488 | - | - | - | - | 52,489 |
| Derivative financial instruments | 227,642 | - | 227,642 | - | 227,412 | - |
| Derivatives used for hedging purposes | 15,663 | - | 15,663 | - | - | - |
| Due to credit institutions | 72,661 | - | 636 | - | - | 72,025 |
| Due to customers | 766,544 | - | 1,466 | - | - | 765,078 |
| Debt securities | 152,062 | - | - | - | - | 152,061 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 2,373 | - | - | - | - | 2,373 |
| Current and deferred tax liabilities | 2,605 | - | - | - | - | 2,605 |
| Accrued expenses and other liabilities | 83,340 | - | 52,529 | - | 12,112 | 27,289 |
| Technical reserves of insurance companies | - | - | - | - | - | - |
| Provisions for contingencies and charges | 10,739 | 392 | - | - | - | 10,347 |
| Subordinated debt | 14,246 | - | - | - | - | 14,246 |
| **TOTAL LIABILITIES** | **1,643,294** | **392** | **465,601** | **-** | **480,946** | **1,100,013** |
| **TOTAL CONSOLIDATED EQUITY** | **107,057** | **-** | **-** | **-** | **-** | **107,057** |
| **TOTAL LIABILITIES AND EQUITY** | **1,750,351** | **392** | **465,601** | **-** | **480,946** | **1,207,070** |

| *In millions of euros* | 31 December 2016 Proforma | | | | | |
|---|---|---|---|---|---|---|
| | Net carrying values: prudential scope | items subject to: | | | | Not subject to capital requirements or deducted from capital |
| | | credit risk framework | counterparty credit risk framework | securitisation framework | market risk framework | |
| **ASSETS** | | | | | | |
| Cash and amounts due from central banks | 160,645 | 160,645 | - | - | - | - |
| Financial instruments at fair value through profit or loss | - | - | - | - | - | - |
| Trading securities | 123,679 | 1,060 | 2,799 | - | 122,572 | - |
| Loans and repurchase agreements | 157,587 | 368 | 157,062 | - | 157,120 | - |
| Instruments designated as at fair value through profit or loss | 1,413 | 1,270 | - | - | - | 143 |
| Derivative financial instruments | 327,884 | - | 327,884 | - | 326,802 | - |
| Derivatives used for hedging purposes | 18,083 | - | 18,083 | - | - | - |
| Available-for-sale financial assets | 157,686 | 153,076 | 5,546 | 711 | - | 2,769 |
| Loans and receivables due from credit institutions | 42,902 | 38,730 | 3,724 | - | - | 449 |
| Loans and receivables due from customers | 718,401 | 678,183 | 16,429 | 22,209 | - | 1,578 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,664 | - | - | - | - | 4,665 |
| Held-to-maturity financial assets | 554 | 553 | - | - | - | 1 |
| Current and deferred tax assets | 8,012 | 7,036 | - | - | - | 852 |
| Accrued income and other assets | 110,371 | 24,310 | 84,392 | - | 19,383 | 164 |
| Equity-method investments | 10,497 | 9,888 | - | - | - | 609 |
| Investment property | 557 | 557 | - | - | - | - |
| Property, plant and equipment | 22,128 | 21,995 | - | - | - | 134 |
| Intangible assets | 3,030 | 47 | - | - | - | 2,982 |
| Goodwill | 9,994 | - | - | - | - | 9,994 |
| **TOTAL ASSETS** | **1,878,087** | **1,097,717** | **615,919** | **22,920** | **625,876** | **24,340** |

| *In millions of euros* | 31 December 2016 Proforma | | | | | |
|---|---|---|---|---|---|---|
| | Net carrying values: prudential scope | items subject to: | | | | Not subject to capital requirements or deducted from capital |
| | | credit risk framework | counterparty credit risk framework | securitisation framework | market risk framework | |
| **LIABILITIES** | | | | | | |
| Due to central banks | 233 | - | - | - | - | 233 |
| Financial instruments at fair value through profit or loss | - | - | - | - | - | - |
| Trading securities | 70,303 | - | - | - | 70,303 | - |
| Borrowings and repurchase agreements | 183,206 | - | 179,014 | - | 183,204 | - |
| Instruments designated as at fair value through profit or loss | 53,430 | - | - | - | - | 53,431 |
| Derivative financial instruments | 318,389 | - | 318,389 | - | 317,960 | - |
| Derivatives used for hedging purposes | 19,615 | - | 19,615 | - | - | - |
| Due to credit institutions | 72,781 | - | 1,979 | - | - | 70,802 |
| Due to customers | 765,180 | - | 2,358 | - | - | 762,823 |
| Debt securities | 156,456 | - | - | - | - | 156,456 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,202 | - | - | - | - | 4,202 |
| Current and deferred tax liabilities | 3,104 | - | - | - | - | 3,104 |
| Accrued expenses and other liabilities | 97,120 | - | 68,641 | - | 14,363 | 25,091 |
| Technical reserves of insurance companies | - | - | - | - | - | - |
| Provisions for contingencies and charges | 11,514 | 484 | - | - | - | 11,031 |
| Subordinated debt | 17,481 | - | - | - | - | 17,481 |
| **TOTAL LIABILITIES** | **1,773,014** | **484** | **589,996** | **-** | **585,830** | **1,104,653** |
| **TOTAL CONSOLIDATED EQUITY** | **105,073** | **-** | **-** | **-** | **-** | **105,073** |
| **TOTAL LIABILITIES AND EQUITY** | **1,878,087** | **484** | **589,996** | **-** | **585,830** | **1,209,726** |

The following table shows the main differences between the amounts of accounting exposure on the balance sheet (see previous table) and the amounts of exposure used for regulatory purposes, based on the different types of risk, except market risk. Indeed, for the latter, the main regulatory measure used by the Group is Value at Risk (VaR), which reflects the sensitivity of the Bank's trading book to the different market parameters (see section 5.7, *Market risk exposure*). Therefore the VaR amount does not relate directly to the net book value of the assets and liabilities subject to market risk.

## ➤ TABLE 8: RECONCILIATION BETWEEN NET CARRYING VALUES UNDER THE PRUDENTIAL SCOPE AND THE EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES (EU LI2)

| | 31 December 2017 | | | |
|---|---|---|---|---|
| *In millions of euros* | Credit risk framework | Counterparty credit risk framework | Securitisation framework | Market risk framework |
| **ASSET CARRYING VALUE** | **1,101,441** | **490,056** | **21,268** | **515,503** |
| Liabilities net carrying value | | (465,601) | | |
| Off-balance-sheet amount net of depreciation | 383,598 | | 4,636 | |
| Specific and collective credit risk depreciation amounts | 25,601 | | 25 | |
| Amounts below the thresholds for deduction (subject to 250% risk-weight)(*) | (6,388) | | | |
| Differences in valuations due to the use of internal models(**) | | 132,357 | | |
| Other adjustments | 3,345 | | | |
| **EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES** | **1,507,597** | **156,812** | **25,929** | |

*(*) Includes deferred tax assets depending on future profits and significant participations in financial sector entities, subject to 250% risk-weight.*
*(**) The main regulatory measure used by the Group for counterparty risk is the EEPE (Effective Expected Positive Exposure). The features of the valuation model are described in section 5.6 in the paragraph Counterparty credit risk valuation.*

| | 31 December 2016 | | | |
|---|---|---|---|---|
| *In millions of euros* | Credit risk framework | Counterparty credit risk framework | Securitisation framework | Market risk framework |
| **ASSET CARRYING VALUE** | **1,097,717** | **615,919** | **22,920** | **625,876** |
| Liabilities net carrying value | | (589,996) | | |
| Off-balance-sheet amount net of depreciation | 378,568 | | 3,099 | |
| Specific and collective credit risk depreciation amounts | 28,442 | | 120 | |
| Amounts below the thresholds for deduction (subject to 250% risk-weight)(*) | (7,421) | | | |
| Differences in valuations due to the use of internal models(**) | | 178,641 | | |
| Other adjustments | 6,896 | | | |
| **EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES** | **1,504,202** | **204,564** | **26,139** | |

*(*) Includes deferred tax assets depending on future profits and significant participations in financial sector entities, subject to 250% risk-weight.*
*(**) The main regulatory measure used by the Group for counterparty risk is the EEPE (Effective Expected Positive Exposure). The features of the valuation model are described in section 5.6 in the paragraph Counterparty credit risk valuation.*

The exposure amounts used for regulatory purposes are presented:

- in section 5.4 for credit risk;
- in section 5.5 for securitisation positions in the banking book;
- in section 5.6 for counterparty credit risk;
- in section 5.7 for market risk.

### SIGNIFICANT SUBSIDIARIES

The risk-weighted assets of BNP Paribas' significant subgroups and subsidiaries are given in Appendix 5 to this chapter.

The following subgroups are considered significant, based on the criterion that their risk-weighted assets amount to more than 3% of the Group's total risk-weighted assets (excluding equity values) at 31 December 2017:

- BNP Paribas Fortis;
- Banca Nazionale del Lavoro (BNL);
- BancWest;
- BNP Paribas Personal Finance;
- BGL BNP Paribas;
- TEB group.

The risk-weighted assets reported correspond to the sub-consolidation scope of each group. Thus, BGL BNP Paribas and TEB subgroups are also included in BNP Paribas Fortis subgroup.

## REGULATORY CAPITAL [Audited][(1)]

The BNP Paribas Group is required to comply with the French regulation that transposes European Directives on "Access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" and "Financial Conglomerates" into French law.

In the various countries in which the Group operates, BNP Paribas also complies with specific regulatory ratios in line with procedures controlled by the relevant supervisory authorities. These ratios mainly address the issues of capital adequacy, risk concentration, liquidity and asset/liability mismatches.

As of 1 January 2014, Regulation (EU) No. 575/2013, establishing the methods for calculating the solvency ratio, defines it as the ratio between total regulatory capital and the sum of:

- the amount of risk-weighted assets for credit and counterparty risks, calculated using the standardised approach or the Internal Ratings Based Approach (IRBA) depending on the particular entity or the activity of the Group concerned;
- capital requirements for market risk, for credit valuation adjustment risk and for operational risk, multiplied by a factor of 12.5.

### BREAKDOWN OF REGULATORY CAPITAL

Regulatory capital is divided into three categories (Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital), which consist of equity and debt instruments, to which regulatory adjustments have been made. These items are subject to transitional arrangements.

#### Common Equity Tier 1 capital

Common Equity Tier 1 capital instruments mainly comprise:

- the consolidated equity attributable to shareholders restated for the anticipated distribution of a dividend and Undated Super Subordinated Notes, which are ineligible for this category;
- minority interest reserves of regulated entities, adjusted for their capitalisation surplus. Minority interests of unregulated entities are excluded.

Main regulatory adjustments are as follows:

- gains and losses generated by cash flow hedges;
- adjustments to the value of instruments measured at fair value required by prudent valuation;
- goodwill and other intangible assets, net of deferred tax liabilities;
- net deferred tax assets that rely on future profitability and arising from tax loss carry-forwards;
- expected losses on equity exposures;
- share of expected losses on outstanding loans measured using the internal ratings based approach (IRBA) which is not covered by provisions and other value adjustments;
- securitisation tranches for which the Group has opted for the own funds deduction instead of a 1,250% weighting.

Treasury shares held or granted a buyback authorisation are deducted from this category.

*(1) In the Registration document, information identified by the ranking [Audited] are information which are integral part of the notes to the consolidated financial statements under the information required by IFRS 7, IFRS 4 and IAS 1, and are covered by the opinion of the Statutory Auditors on the consolidated financial statements*

## TABLE 9: TRANSITION FROM CONSOLIDATED EQUITY TO COMMON EQUITY TIER 1 (CET1) CAPITAL [Audited]

| *In millions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Phased in | Transitional arrangements(*) | Phased in | Transitional arrangements(*) |
| **Consolidated equity** | **107,057** | **-** | **105,073** | **-** |
| Undated Super Subordinated Notes ineligible in CET1 | (8,182) | - | (8,441) | - |
| Proposed distribution of dividends | (3,769) | - | (3,364) | - |
| Ineligible minority interests | (2,221) | 492 | (1,560) | 854 |
| Changes in the fair value of hedging instruments recognised directly in equity | (1,141) | - | (1,154) | - |
| Changes in the value of financial assets available for sale and reclassified loans and receivables recognised directly in equity | (448) | (448) | (948) | (948) |
| Additional value adjustments linked to prudent valuation requirements | (735) | - | (1,018) | - |
| Goodwill and other intangible assets | (12,817) | - | (13,431) | - |
| Net deferred tax assets arising from tax loss carry-forwards | (523) | 306 | (378) | 506 |
| Negative amounts resulting from the calculation of expected losses | (1,310) | 9 | (1,034) | 12 |
| Other prudential adjustments | 225 | 36 | 330 | 89 |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL** | **76,135** | **394** | **74,075** | **513** |

*(*) Amounts subject to pre-regulation treatment or prescribed residual amount of Regulation (EU) No. 575/2013.*



### Additional Tier 1 capital

Additional Tier 1 capital is mainly composed of subordinated debt instruments with the following characteristics:

- they are perpetual and include no redemption incentive;
- they are not held by the bank, its subsidiaries or any company in which the Group holds 20% or more of the capital;
- they have a capacity to absorb losses;
- they may include a buy back option, five years after the issue date at the earliest, exercisable at the issuer's discretion[1];
- remuneration arises from distributable elements that may be cancelled, with no requirements for the bank.

This category is also composed of non-eligible minority reserves in common equity within their limit of eligibility.

Authorisations to redeem additional Tier 1 own capital instruments are deducted from this category.

### Tier 2 capital

Tier 2 capital is comprised of subordinated debt with no buy back incentive, as well as non-eligible minority reserves in Tier 1 capital within their limit of eligibility. A prudential discount is applied to the subordinated debt with less than five years of residual maturity.

Prudential deductions from Tier 2 capital primarily concern:

- Tier 2 capital components in significant financial entities;
- Tier 2 own capital instruments buy back authorisations.

### Transitional arrangements

Under CRR, the calculation methods introduced by fully loaded Basel 3 can be implemented gradually until 2022. European Central Bank Regulation 2016/445 of 14 March 2016 and the ACPR's instructions for the calculation of the prudential ratios of 30 June 2016, updated annually, lay down the percentages to be applied to filters and prudential deductions. The main items subject to these transitional arrangements are subordinated debt, restatements of minority interest reserves, deferred tax, unrealised gains on available-for-sale securities, and investment holdings in Tier 2 instruments of other financial sector entities.

Subordinated debt issued prior to 31 December 2010, which is non-eligible under full Basel 3 but eligible under prior regulations, can be recognised degressively as Tier 1 or Tier 2 capital, depending on its previous eligibility (grandfathered debt).

*(1) Subject to authorisation by the supervisor.*

## TABLE 10: REGULATORY CAPITAL [Audited]

| In millions of euros | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Phased in | Transitional arrangements(*) | Phased in | Transitional arrangements(*) |
| **Common Equity Tier 1 (CET1) capital: instruments and reserves** | | | | |
| Capital instruments and the related share premium accounts | 27,084 | - | 26,995 | - |
| *of which ordinary shares* | *27,084* | - | *26,995* | - |
| Retained earnings | 56,536 | - | 52,070 | - |
| Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) | 3,130 | - | 6,169 | - |
| Minority interests (amount allowed in consolidated CET1) | 2,843 | 492 | 2,837 | 854 |
| Independently reviewed interim profits net of any foreseeable charge or dividend | 3,705 | - | 3,979 | - |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS** | **93,297** | **492** | **92,051** | **854** |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments(**) | (17,162) | (97) | (17,976) | (341) |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL** | **76,135** | **394** | **74,075** | **513** |
| Additional Tier 1 (AT1) capital: instruments(**) | 8,666 | 596 | 8,809 | 1,414 |
| Additional Tier 1 (AT1) capital: regulatory adjustments(**) | (385) | (340) | (732) | (719) |
| **ADDITIONAL TIER 1 (AT1) CAPITAL** | **8,282** | **256** | **8,077** | **695** |
| **TIER 1 CAPITAL (T1 = CET1 + AT1)** | **84,417** | **650** | **82,152** | **1,208** |
| Tier 2 (T2) capital: instruments and provisions(**) | 13,420 | (402) | 13,218 | (389) |
| Tier 2 (T2) capital: regulatory adjustments(**) | (3,179) | 369 | (2,917) | 767 |
| **TIER 2 (T2) CAPITAL** | **10,241** | **(32)** | **10,302** | **378** |
| **TOTAL CAPITAL (TC = T1 + T2)** | **94,658** | **618** | **92,454** | **1,585** |

(*) *Amounts subject to pre-regulation treatment or prescribed residual amount of Regulation (EU) No. 575/2013, in accordance with grandfathered Additional Tier 1 and Tier 2 eligibility rules applicable as of 2019.*
(**) *See Appendix 3.*

Total phased-in capital amounted to EUR 94.7 billion at 31 December 2017, a transitional adjustment of EUR 0.6 billion compared with the fully loaded Basel 3 amount. This transitional adjustment is essentially linked to the AT1 grandfathered debt of EUR 0.6 billion. Details are given in Appendix 3.

The table presenting the details of the debt instruments recognised as capital, as well as their characteristics, as required by implementing Regulation No. 1423/2013, is available in the BNP Paribas Debt section of the Investor Relations website: www.invest.bnpparibas.com.

## TABLE 11: CHANGE IN REGULATORY CAPITAL [Audited]

| *In millions of euros* | Phased in |
|---|---|
| **COMMON EQUITY TIER 1 (CET1) CAPITAL** | |
| 1 January 2017 | 74,075 |
| **Common Equity Tier 1 capital: instruments and reserves** | **1,246** |
| Capital instruments and the related share premium accounts | 88 |
| *of which ordinary shares* | *88* |
| Retained earnings | 487 |
| Accumulated other comprehensive income | (3,040) |
| Minority interests (amount allowed in consolidated CET1) | 6 |
| Independently reviewed interim profits net of any foreseeable charge or dividend | 3,705 |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | **814** |
| *of which additionnal value adjustments* | *283* |
| *of which intangible assets and goodwill* | *614* |
| *of which net deferred tax assets depending on future profits excluding those arising from temporary differences* | *(146)* |
| *of which fair value reserves related to gains or losses on cash flow hedges* | *13* |
| *of which negative amounts resulting from the calculation of expected loss amounts* | *(275)* |
| *of which gains or losses on liabilities valued at fair value resulting from changes in own credit standing* | *125* |
| *of which securitisation positions for which the Group has opted for the own funds deduction instead of a 1,250 risk-weighted* | *(190)* |
| *of which regulatory adjustments relating to unrealised gains and losses* | *500* |
| *of which other regulatory adjustments* | *(109)* |
| 31 December 2017 | 76,135 |
| **ADDITIONAL TIER 1 CAPITAL** | |
| 1 January 2017 | 8,077 |
| **Additional Tier 1 (AT1) capital: instruments** | **(143)** |
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | **348** |
| Loans to credit or financial institutions more than 10%-owned | 362 |
| Others | (14) |
| 31 December 2017 | 8,282 |
| **TIER 2 CAPITAL** | |
| 1 January 2017 | 10,302 |
| **Tier 2 (T2) capital: instruments and provisions** | **201** |
| **Tier 2 (T2) capital: regulatory adjustments** | **(262)** |
| Loans to credit or financial institutions more than 10%-owned | (221) |
| Others | (41) |
| 31 December 2017 | 10,241 |

➤ **TABLE 12: CHANGE IN ELIGIBLE DEBT** [Audited]

| *In millions of euros* | Phased in | |
|---|---|---|
| | Tier1 | Tier2 |
| **1 January 2017** | **8,665** | **13,151** |
| New issues | 636 | 1,565 |
| Redemptions | (927) | (111) |
| Prudential discount | - | (673) |
| Others | 76 | (699) |
| **31 December 2017** | **8,450** | **13,233** |

## CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

The table below shows risk-weighted assets and capital requirement by risk type. Capital requirements make up 8% of risk-weighted assets.

➤ **TABLE 13: RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENT (EU OV1)**

| *In millions of euros* | RWAs | | Capital requirement | |
|---|---|---|---|---|
| | 31 December 2017 | 31 December 2016 Proforma | 31 December 2017 | |
| **1 Credit risk** | **512,700** | **494,433** | **41,016** | See section 5.4 |
| 2 of which standardised approach | 217,601 | 210,564 | 17,408 | |
| 4 of which advanced IRB approach | 251,101 | 238,693 | 20,088 | |
| 5 of which equity positions under the simple risk-weighted approach | 43,998 | 45,175 | 3,520 | |
| **6 Counterparty credit risk** | **26,736** | **33,168** | **2,139** | See section 5.6 |
| 7 of which mark-to-market method | 2,755 | 3,876 | 220 | |
| 10 of which internal model method (IMM) | 20,802 | 23,860 | 1,664 | |
| 11 of which CCP – default fund contributions | 1,268 | 1,085 | 101 | |
| 12 of which CVA | 1,910 | 4,347 | 153 | |
| **14 Securitisation exposures in the banking book** | **3,482** | **8,463** | **279** | See section 5.5 |
| 15 of which IRB approach (IRB) | 816 | 5,438 | 65 | |
| 16 of which IRB supervisory formula approach (SFA) | 1,823 | 2,201 | 146 | |
| 17 of which internal assessment approach (IAA) | 66 | 68 | 5 | |
| 18 of which standardised approach | 776 | 755 | 62 | |
| **19 Market risk** | **16,666** | **22,529** | **1,333** | See section 5.7 |
| 20 of which standardised approach | 1,814 | 1,763 | 145 | |
| 21 of which internal model approach (IMA) | 14,852 | 20,766 | 1,188 | |
| **23 Operational risk** | **66,515** | **63,527** | **5,321** | See section 5.9 |
| 24 of which basic indicator approach | 5,340 | 6,044 | 427 | |
| 25 of which standardised approach | 11,214 | 9,581 | 897 | |
| 26 of which advanced measurement approach (AMA) | 49,961 | 47,902 | 3,997 | |
| **27 Amounts below the thresholds for deduction (subject to 250% risk weight)** | **15,971** | **18,553** | **1,278** | |
| **29 TOTAL** | **642,070** | **640,673** | **51,366** | |

The Group's total risk-weighted assets amounted to EUR 642.1 billion at 31 December 2017 compared with EUR 640.7 billion at 31 December 2016. At 31 December 2017, risk-weighted assets calculated using the internal model represented 53% of the Group's risk weighted assets.

The breakdown of risk-weighted assets by risk type is presented in the various appropriate sections.

Amounts below the thresholds for prudential capital deduction are assets weighted at 250% pursuant to article 48 of Regulation (EU) No. 575/2013. These include:

- credit or financial institutions consolidated under the equity method, except for insurance entities consolidated under the equity method in the prudential scope, which are weighted using the simple weighting method;
- significant financial interests, in the form of available-for-sale financial assets, in credit or financial institutions in which the Group holds a stake of more than 10%;
- deferred tax assets that rely on future profitability and arising from temporary differences.

## RISK-WEIGHTED ASSETS MOVEMENTS IN 2017

The change in risk-weighted assets can be broken down into the following effects:

- asset size effect: impact stemming from the variation in exposures (EAD);
- asset quality effect: impact stemming from the change in risk parameters (Probability of Default, Loss Given Default for the internal ratings-based approach, and risk weighting for the standardised approach, etc.);
- model update effect: impact stemming from changes in the use of internal models (introduction of a new model, deployment on a new exposure scope, annual recalibration or review of risk parameters, application of add-ons, etc.);
- methodology and policy effect: impact stemming from changes in methodology and the establishment of new regulatory requirements having an impact on the calculation of risk-weighted assets;
- acquisition and disposal effect: impact stemming from changes in the scope of consolidation;
- currency effect: impact stemming from fluctuations in foreign exchange rates on exposures.

The main explanations for the changes in 2017 can be found hereunder and details are provided in the appropriate sections.

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### ➤ TABLE 14: RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER

| | | Key driver | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **RWAs** *In millions of euros* | **31 December 2016** | **Asset size** | **Asset quality** | **Model update** | **Methodology and policy** | **Acquisitions and disposals** | **Currency** | **Other** | **Total Variation** | **31 December 2017** |
| Credit risk | **494,433** | 31,193 | (16,294) | 8,405 | 4,563 | 9,635 | (19,574) | 339 | 18,267 | **512,700** |
| Counterparty credit risk | **33,168** | (6,826) | (864) | 1,333 | (0) | - | (73) | (2) | (6,432) | **26,736** |
| Banking book securitisation positions | **8,463** | (3,512) | 743 | - | (2,034) | - | (247) | 68 | (4,981) | **3,482** |
| Market risk | **22,529** | (4,771) | (954) | 14 | (341) | - | - | 190 | (5,863) | **16,666** |
| Operational risk | **63,527** | 398 | 1,889 | (327) | - | 980 | - | 48 | 2,988 | **66,515** |
| Amounts below the thresholds for deduction (subject to 250% risk weight) | **18,553** | (1,828) | (0) | - | - | (461) | - | (293) | (2,582) | **15,971** |
| **TOTAL** | **640,673** | **14,655** | **(15,481)** | **9,425** | **2,188** | **10,154** | **(19,894)** | **351** | **1,397** | **642,070** |

Below are the main reasons behind the EUR 1 billion increase in risk-weighted assets in 2017:

- an increase of EUR 15 billion in line with business activity, characterised by the sharp rise in credit risk (+EUR 31 billion), offset by falls in counterparty credit risk (-EUR 7 billion), market risk (-EUR 5 billion) and securitisation in the banking book (-EUR 4 billion);
- an increase of EUR 10 billion relating to changes in scope, mainly as a result of the acquisition, in conjunction with PSA, of the financing activities of General Motors Europe;
- a reduction of EUR 20 billion in respect of currency effects, in particular with the depreciation in the US dollar and the Turkish lira;

- a downward asset-quality impact of -EUR 15 billion primarily on credit risk, with improvement in risk parameters primarily in French Retail Banking and International Retail Banking;
- an increase of EUR 9 billion relating to the update of models;
- changes in methodology representing a net upward impact of EUR 2 billion.

Comments on the main changes in 2017 for each type of risk can be found in the various appropriate sections.

## BREAKDOWN OF RISK-WEIGHTED ASSETS BY BUSINESS LINE

### ➤ TABLE 15: RISK-WEIGHTED ASSETS BY RISK TYPE AND BUSINESS

| RWAs *In millions of euros* | 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Retail Banking & Services | | Corporate & Institutional Banking | | | | |
| | Domestic Markets | International Financial Services | Corporate Banking | Global Markets | Securities Services | Other activities | Total |
| **Credit risk** | **205,173** | **179,457** | **97,243** | **6,679** | **2,079** | **22,069** | **512,700** |
| of which standardised approach | 63,566 | 134,894 | 5,823 | 1,786 | 507 | 11,025 | 217,601 |
| of which advanced IRB approach | 136,153 | 17,487 | 90,709 | 3,010 | 1,313 | 2,430 | 251,101 |
| of which equity positions under the simple risk-weighted approach | 5,454 | 27,077 | 711 | 1,883 | 259 | 8,614 | 43,998 |
| **Counterparty credit risk** | **2,368** | **576** | **631** | **21,805** | **1,347** | **9** | **26,736** |
| of which mark-to-market method | 283 | 456 | 23 | 1,108 | 883 | 2 | 2,755 |
| of which internal model method (IMM) | 2,030 | 12 | 467 | 17,890 | 403 | - | 20,802 |
| of which CCP – default fund contributions | - | - | 64 | 1,147 | 58 | - | 1,268 |
| of which CVA | 54 | 108 | 78 | 1,661 | 3 | 7 | 1,910 |
| **Securitisation exposures in the banking book** | **146** | **216** | **688** | **2,109** | **-** | **322** | **3,482** |
| of which IRB approach (IRB) | - | 114 | 72 | 308 | - | 322 | 816 |
| of which IRB supervisory formula approach (SFA) | 43 | - | 616 | 1,164 | - | - | 1,823 |
| of which internal assessment approach (IAA) | 22 | - | - | 44 | - | - | 66 |
| of which standardised approach | 81 | 102 | - | 593 | - | - | 776 |
| **Market risk** | **99** | **352** | **786** | **14,910** | **519** | **-** | **16,666** |
| of which standardised approach | 99 | 198 | 674 | 839 | 4 | - | 1,814 |
| of which internal model approach (IMA) | - | 154 | 112 | 14,071 | 515 | - | 14,852 |
| **Operational risk** | **19,576** | **18,458** | **9,879** | **14,188** | **3,229** | **1,185** | **66,515** |
| of which basic indicator approach | 833 | 3,363 | 269 | 482 | 294 | 99 | 5,340 |
| of which standardised approach | 1,723 | 7,201 | 1,211 | 870 | 77 | 133 | 11,214 |
| of which advanced measurement approach (AMA) | 17,020 | 7,894 | 8,399 | 12,837 | 2,858 | 953 | 49,961 |
| **Amounts below the thresholds for deduction (subject to 250% risk weight)** | **1,565** | **6,377** | **48** | **558** | **97** | **7,326** | **15,971** |
| **TOTAL** | **228,927** | **205,437** | **109,274** | **60,249** | **7,271** | **30,912** | **642,070** |

| RWAs<br>*In millions of euros* | Retail Banking & Services | | Corporate & Institutional Banking | | | | 31 December 2016<br>Pro forma |
|---|---|---|---|---|---|---|---|
| | Domestic Markets | International Financial Services | Corporate Banking | Global Markets | Securities Services | Other activities | Total |
| **Credit risk** | **187,417** | **171,684** | **101,628** | **4,901** | **1,938** | **26,864** | **494,433** |
| of which standardised approach | 60,323 | 129,352 | 5,987 | 1,581 | 540 | 12,783 | 210,564 |
| of which advanced IRB approach | 122,808 | 16,457 | 93,798 | 2,473 | 1,301 | 1,855 | 238,693 |
| of which equity positions under the simple risk-weighted approach | 4,286 | 25,875 | 1,844 | 847 | 97 | 12,226 | 45,175 |
| **Counterparty credit risk** | **2,625** | **800** | **358** | **27,440** | **1,904** | **40** | **33,168** |
| of which mark-to-market method | 381 | 653 | 32 | 1,482 | 1,324 | 4 | 3,876 |
| of which internal model method (IMM) | 2,173 | 17 | 102 | 21,054 | 513 | - | 23,860 |
| of which CCP – default fund contributions | - | - | 55 | 981 | 49 | - | 1,085 |
| of which CVA | 71 | 130 | 169 | 3,923 | 18 | 35 | 4,347 |
| **Securitisation exposures in the banking book** | **449** | **544** | **938** | **5,730** | **1** | **802** | **8,463** |
| of which IRB approach (IRB) | 309 | 185 | 132 | 4,011 | 1 | 802 | 5,438 |
| of which IRB supervisory formula approach (SFA) | - | - | 806 | 1,395 | - | - | 2,201 |
| of which internal assessment approach (IAA) | 23 | - | - | 45 | - | - | 68 |
| of which standardised approach | 117 | 360 | - | 278 | - | - | 755 |
| **Market risk** | **59** | **253** | **933** | **19,314** | **50** | **1,920** | **22,529** |
| of which standardised approach | 59 | 162 | 611 | 917 | 12 | 1 | 1,763 |
| of which internal model approach (IMA) | - | 91 | 322 | 18,397 | 38 | 1,919 | 20,766 |
| **Operational risk** | **18,521** | **16,970** | **9,964** | **13,637** | **2,919** | **1,517** | **63,527** |
| of which basic indicator approach | 673 | 4,053 | 214 | 493 | 260 | 351 | 6,044 |
| of which standardised approach | 1,673 | 5,757 | 1,225 | 753 | 58 | 114 | 9,581 |
| of which advanced measurement approach (AMA) | 16,176 | 7,159 | 8,524 | 12,390 | 2,600 | 1,052 | 47,902 |
| **Amounts below the thresholds for deduction (subject to 250% risk weight)** | **1,557** | **6,219** | **175** | **815** | **341** | **9,445** | **18,553** |
| **TOTAL** | **210,628** | **196,471** | **113,996** | **71,836** | **7,154** | **40,588** | **640,673** |

The split of risk-weighted assets by domain reflects the Group's diversified business mix, with 68% devoted to Retail Banking & Services (including 36% for the Domestic Markets and 32% for International Financial Services), 28% to Corporate and Institutional Banking and 5% to Other activities.

The increase in the Group's risk-weighted assets amounted to EUR 1 billion in 2017, with a EUR 18 billion increase in the Domestic Markets, mainly in French Retail Banking, Belgian Retail Banking and Banca Nazionale del Lavoro, and an increase of EUR 9 billion in International Financial Services, mainly in Personal Finance, partly offset by a reduction of EUR 16 billion in Corporate & Institutional Banking, and a reduction of EUR 10 billion in Other activities.

## RISK-WEIGHTED ASSETS – IMPACT OF TRANSITIONAL ARRANGEMENTS

The transitional arrangements applicable to the calculation of risk-weighted assets as of 31 December 2017 correspond mainly to the portion of unrealised gains that are not included in the exposure value for credit risk since they are excluded from regulatory capital. At 31 December 2017, the Group's risk-weighted assets thus amounted to EUR 640,7 billion taking into account these transitional arrangements, and EUR 642.1 billion with full implementation of the Basel 3 Regulation.

➤ **TABLE 16: RISK-WEIGHTED ASSETS – TRANSITIONAL ARRANGEMENTS**

| *In millions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Phased in | Transitional arrangements(*) | Phased in | Transitional arrangements(*) |
| **TOTAL RISK-WEIGHTED ASSETS** | **640,644** | **(1,426)** | **638,207** | **(2,466)** |
| *of which credit risk* | *511,402* | *(1,299)* | *492,143* | *(2,290)* |
| *of which amounts below the thresholds for deduction (subject to 250% risk weight)(**)* | *15,844* | *(127)* | *18,377* | *(176)* |

*(*) Amounts subject to pre-regulation treatment or prescribed residual amount of Regulation (EU) No. 575/2013.*
*(**) Of which significant participations in financial sector entities.*

# CAPITAL ADEQUACY AND CAPITAL PLANNING

## SINGLE SUPERVISORY MECHANISM

The Single Supervisory Mechanism (SSM) is the banking supervisory system for the euro zone. The SSM, together with the Single Resolution Mechanism (SRM) and the Deposit Guarantee Scheme, is one of the three pillars of the Banking Union.

The ECB thus became the direct prudential supervisor of BNP Paribas as of 4 November 2014. The ECB draws on the competent national supervisory authorities in fulfilling this role.

## CAPITAL ADEQUACY

The BNP Paribas Group is required to comply with a range of regulations:

- European banking regulations under CRD 4, which also cover banking supervision;
- Regulation relating to financial conglomerates in respect of additional supervision of its banking and insurance activities.

  BNP Paribas' insurance business is governed by Solvency II insurance regulations since 1 January 2016.

### Requirements under banking regulations and supervision

With the application of Basel 3 regulation as of 1 January 2014, the minimum ratios requirement increases gradually until 2019.

The Group is required to meet a minimum Pillar 1 common equity Tier 1 (CET1) capital ratio of 4.5%, a minimum Tier 1 capital ratio of 6%, and a minimum total capital ratio (total capital) of 8%.

#### Additional Pillar 1 requirements known as buffers

In addition to the minimum capital requirements regarding Pillar 1, since 1 January 2016, BNP Paribas will have to maintain additional CET1 capital buffers on a gradual basis:

- the capital conservation buffer is equal to 2.5% of the risk-weighted assets, by 2019. The aim of this buffer is to absorb losses in a situation of intense economic stress;
- the 3 following buffers were defined to limit systemic risk. Only the highest of these 3 buffers is applicable:
  - the buffer for global systemically important banks (G-SIBs) is defined by the Financial Stability Board according to the method developed by the Basel Committee, which evaluates the global systemic importance of banks. Global systemic importance is measured in terms of the impact of a bank's failure can have on the global financial system and the wider economy.

    The measurement approach of the global systemic importance is indicator-based. The selected indicators reflect the size of banks, their interconnectedness, the lack of readily available substitutes or financial institution infrastructure for the services they provide, their global cross-jurisdictional activity and their complexity. The methodology is described in the document published in July 2013 by the Basel Committee, entitled "Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement" (BCBS 255).

    The assessment of a bank's systemic importance determines the amount of the G-SIBs buffer to be taken into account in calculating the capital ratios in a progressive way over three years as from 2016.

    In April 2017, BNP Paribas published the G-SIBs indicators as at 31 December 2016. BNP Paribas took steps to reduce its systemic importance and improved its score calculated on the basis of indicators at 31 December 2016. Details of G-SIBs indicators can be found in the Conferences and Publications section of the investor relations website *www.invest.bnpparibas.com*.

    The Financial Stability Board published the list of systemically important banks for 2017 on 21 November 2017. BNP Paribas is classified in group 2, compared to group 3 in 2016, which sets the additional Common Equity Tier 1 capital requirement at 1.5% when fully implemented in 2019.

    The next update of the Group indicators is due for publication at the end of April 2018.
  - the buffer for domestic systemically important institutions (D-SIBs) aims to strengthen the capital requirements for institutions whose failure would have an impact on the national economy. The D-SIBs buffer for BNP Paribas is set at 1.5% when fully implemented in 2019,

- the systemic risk buffer aims to limit systemic or macroprudential non-cyclical risks in the long term. This buffer is not significant for the Group;
- the countercyclical capital buffer is defined as a surcharge of CET1 capital whose purpose is to adjust over time to increase the capital requirements in periods when credit growth is accelerating and reduce them in slower periods. A countercyclical buffer rate may be activated in each country by a discretionary decision from the appointed national authority. In view of the buffer rates by country applicable for 2017, the BNP Paribas countercyclical capital buffer is not material. The Group's countercyclical capital buffer as of 1 January 2018 is 0.03%, and will gradually increase with the implementation of rates in certain countries to reach 0.07% by the end of 2018 and 0.08% at 1 January 2019 (see Appendix 4 *Countercyclical Capital Buffer*).

## Pillar 2 requirements

With respect to supervision, the second Pillar of the Basel Agreement provides that the supervisor shall determine whether the policies, strategies, procedures and arrangements implemented by the Group on the one hand, and the capital held on the other hand, are adequate for risk management and risk coverage purposes. This evaluation exercise by the supervisors to determine the adequacy of mechanisms and capital with respect to bank risk levels is designated in the regulations under the term SREP (Supervisory Review and Evaluation Process).

ICAAP (Internal Capital Adequacy Assessment Process) is the annual process by which institutions assess the adequacy of their capital with their internal measurements of the levels of risk generated by their usual activities. ICAAP is used by the supervisory authorities for the annual SREP.

Within the BNP Paribas Group, the ICAAP is based on two key principles: the verification that the level of available capital is adequate with respect to the capital requirements, and the forward-looking capital planning.

The capital adequacy assesment relies on two perspectives:

- the regulatory perspective, described in the CRD 4/CRR, according to which all Pillar 1 risks must be covered by regulatory capital;
- the internal perspective, built around a comprehensive review of the Pillar 1 risks specified by Basel regulations, as well as the Pillar 2 risks defined in the Group's risk appetite framework and identified as material within the framework of the Group's risk inventory system. From this perspective, Pillar 1 and Pillar 2 risks are assessed using internal quantitative approaches, supplemented, as necessary, by qualitative approaches and dedicated monitoring frameworks.

Capital planning is based on the most recent actual and estimated financial data available at the time. These data are used to project future capital requirements, in particular by factoring in the Group's goal of maintaining a first-class credit rating to protect its origination capability, its business development targets and anticipated regulatory changes.

Capital planning consists of comparing the capital ratio targets defined by the Group with future projected capital requirements, then testing their robustness in a stressed macroeconomic environment.

The definitions of SREP and ICAAP are included in the EBA's "Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP)" published on 19 December 2014. These guidelines offer supervisors a common and detailed methodology that enables them to successfully complete the SREP according to a European standard. The EBA SREP guidelines are applicable since 1 January 2016, with transitional arrangements until 2019.

### *Regulatory stress tests*

During 2016, the BNP Paribas Group was stress tested, jointly administered by the ECB and the EBA, to assess the Bank's capacity to absorb shocks arising from crisis situations.

On 29 July 2016 the European Banking Authority published the results of the EU-wide Stress Test. This exercise covered the fifty-one most important banks of the European Union.

The stress test results demonstrate BNP Paribas' resistance in a scenario of major stress based on extremely severe assumptions of economic and market evolutions. BNP Paribas is actually amongst the banks where the impact of such a scenario would be the less important (first quartile).

The results of this thorough exercise conducted by the EBA and the ECB confirm the Group's balance sheet strength and the quality of its risk policy. These results are presented under *Stress testing* in section 5.3 *Risk management*.

In 2017, the ECB conducted a regulatory stress test focused on the scope of interest rate risk for the banking book. The main European banks took part in this exercise, which demonstrated the Group's resilience to the various interest rate scenarios defined by the ECB.

The results of the regulatory stress test carried out in 2016, along with those for regulatory stress test carried out in 2017 were included in the 2017 SREP.

### *Notification of SREP results*

The results of the SREP process are notified annually to BNP Paribas's Executive Management by the ECB.

As in 2016, the 2017 SREP decision comprises two factors: a requirement known as the "Pillar 2 requirement" or P2R, and a non-public guidance called "Pillar 2 guidance". As a result, following the ECB's notification of the outcome of the 2017 annual SREP, the phased-in common equity Tier 1 (CET1) capital requirement for the Group to meet the "Pillar 2 requirement" is 1.25%. The P2R requirement also applies to Tier 1 and Total capital.

## Overall capital requirements

The Group's CET1 ratio, Tier 1 ratio and Total capital ratio must satisfy the following requirements corresponding to the limits of applicable distribution restrictions (Maximum Distributable Amount – MDA):

- the minimum CET1 ratio, Tier 1 ratio and Total capital ratio, respectively, at all times, in accordance with article 92 (1) points a), b) and c) of the CRR;
- the "Pillar 2 Requirement";
- the total buffer requirement defined in article 128 (6) of CRD 4, as transposed into the respective national laws.

### TABLE 17: OVERALL EXPECTED CET1 REQUIREMENT(*) – TRANSITIONAL ARRANGEMENTS IMPLEMENTATION

| | 2017 | 2018 | As from 2019 |
|---|---|---|---|
| CET1 minimum requirements (Pillar 1) | 4.5% | 4.5% | 4.5% |
| Pillar 2R(**) | 1.25% | 1.25% | 1.25% |
| Capital conservation buffer | 1.25% | 1.875% | 2.5% |
| G-SIBs buffer applicable to BNP Paribas | 1.0% | 1.5% | 1.5% |
| **TOTAL CET1(**)** | **8.00%** | **9.125%** | **9.75%** |

*(*) Excluding the countercyclical capital buffer.*
*(**) Only the "Pillar 2 requirement – P2R" is made public.*

### TABLE 18: OVERALL EXPECTED TIER 1 REQUIREMENT(*) – TRANSITIONAL ARRANGEMENTS IMPLEMENTATION

| | 2017 | 2018 | As from 2019 |
|---|---|---|---|
| Tier 1 (CET1 + AT1): Minimum requirement (Pillar 1) | 6.0% | 6.0% | 6.0% |
| Pillar 2R(**) | 1.25% | 1.25% | 1.25% |
| Capital conservation buffer | 1.25% | 1.875% | 2.5% |
| G-SIBs buffer applicable to BNP Paribas | 1.0% | 1.5% | 1.5% |
| **TOTAL TIER 1** | **9.50%** | **10.625%** | **11.25%** |

*(*) Excluding the countercyclical capital buffer.*
*(**) Only the "Pillar 2 requirement – P2R" is made public.*

### TABLE 19: OVERALL EXPECTED TOTAL CAPITAL REQUIREMENT(*) – TRANSITIONAL ARRANGEMENTS IMPLEMENTATION

| | 2017 | 2018 | As from 2019 |
|---|---|---|---|
| Total Capital Requirement (T1 + T2): Minimum requirement (Pillar 1) | 8.0% | 8.0% | 8.0% |
| Pillar 2R(**) | 1.25% | 1.25% | 1.25% |
| Capital conservation buffer | 1.25% | 1.875% | 2.5% |
| G-SIBs buffer applicable to BNP Paribas | 1.0% | 1.5% | 1.5% |
| **TOTAL CAPITAL** | **11.5%** | **12.625%** | **13.25%** |

*(*) Excluding the countercyclical capital buffer.*
*(**) Only the "Pillar 2 requirement – P2R" is made public.*

The countercyclical capital buffer is not material at 31 December 2017. Given the countercyclical capital buffers communicated to date by the relevant national authorities and the geographic breakdown of the Group's exposure at 31 December 2017, the Group's expected countercyclical capital buffer is 0.07% at 31 December 2018 and 0.08% at 1 January 2019.

The expected fully loaded CET1 capital requirement is 9.83% at 1 January 2019 (excluding "Pillar 2 guidance"), in view of the gradual increase in the capital conservation buffer to 2.5%, a G-SIBs buffer of 1.5%, the activation of the countercyclical buffer in certain countries and a P2R assumed constant at 1.25%.

With a phased-in CET1 capital ratio of 11.9% as at 31 December 2017 (a fully loaded CET1 ratio of 11.8%), BNP Paribas was well above the minimum requirement applicable for 2017. Compared to 31 December 2016, the fully loaded CET1 ratio was up 30 basis points as at 31 December 2017, due primarily to the appropriation to reserves of net income for the year after dividends (+ 60 bp) and the increase in risk-weighted assets (- 30 bp excluding the foreign exchange and scope effects). The impacts from foreign exchange and the main acquisitions and disposals are largely limited.

Under its 2017-2010 development plan, the Group's objective is a CET1 ratio of 12% in 2020, at constant regulatory framework.

BNP Paribas ratios are monitored and managed centrally, on a consolidated basis. Where a French or international entity is required to comply with banking regulations at its own level, its ratios are also monitored and managed directly by the entity (see *section Capital management at local level*).

## Requirements applicable to the Insurance business

Since 1 January 2016, BNP Paribas' insurance business is governed by Solvency II, the new standard for calculating the solvency coverage ratio (Directive 2009/138/EC as transposed into French law).

The objective of Solvency II is to:

- improve risk management systems matching them more closely with the actual risks to which insurance companies are exposed;
- harmonise the insurance regulatory regimes across Europe;
- give more power to supervisory authorities.

Solvency II is divided into three pillars aiming to:

- Pillar 1: assess solvency using what is known as an economic capital-based approach;
- Pillar 2: implement qualitative requirements, *i.e.* governance and risk management rules that include a forward-looking approach to risk assessment. This assessment is called ORSA (Own Risk & Solvency Assessment);
- Pillar 3: improve the transparency of the insurance business by making solvency the cornerstone of disclosures to the public and the supervisory authority.

The BNP Paribas Cardif group complies with this new regulation both in terms of risk management and governance, as well as calculation and reporting. Solvency II-related data as at 31 December 2016 are available in the Solvency and Financial Condition Report (SFCR) for the BNP Paribas Cardif group, published on the institutional website *https://www.bnpparibascardif.com*.

Solvency II sets out two capital requirements:

- the solvency capital requirement (SCR);
- the minimum capital required (MCR) or, for groups, the SCR Group Minimum.

The SCR (Solvency Capital Requirement) is the level of own funds required to absorb a full series of bicentenary impacts after accounting for the correlation between risks. It is calibrated to cover such an event with a return period of 200 years within a one-year timescale (Value at Risk at 99.5%). The BNP Paribas Cardif SCR is evaluated by means of the standard formula.

The Capital Management Policy of BNP Paribas Cardif aims notably to ensure that the prudential solvency requirement are met, to cover at least 100% of the SCR defined within the scope of the ORSA assessment and to structure own funds so that the best balance can be found between the share capital, subordinated debt and other own funds elements, complying with the limits and levels laid down by regulations.

As at 31 December 2016, available own funds for SCR stood at EUR 10,446 million, 70% of which were Tier 1 own funds. Available own funds for SCR Group Minimum stood at EUR 7,926 million. The amount of SCR was EUR 7,163 million, and the amount of SCR Group Minimum was EUR 3,287 million. The coverage ratios of the SCR and the SCR Group Minimum were 146% and 241%, respectively.

The Solvency Report as at 31 December 2017 will be published on 17 June 2018.

### Compliance with the regulation on the additional supervision of financial conglomerates

As a bancassurer, the BNP Paribas Group is also subject to additional supervision as a financial conglomerate, pursuant to European Directive 2002/87/EU, supplemented by Delegated Regulation 342/2014 of the European Commission and implemented into French law by the Order of 3 November 2014.

The financial conglomerates directive has established additional prudential supervision, added to the rules existing in the banking and insurance sectors, because it has introduced additional constraints on capital adequacy, the monitoring of large exposures, and intragroup transactions.

A financial conglomerate is required to meet additional capital adequacy requirements on a consolidated basis. The purpose is to require sufficient capital to cover both banking sector and insurance sector risks, while eliminating multiple gearing.

The capital surplus or shortfall results from the difference between the financial conglomerate's equity capital and the solvency requirements applicable to the banking and insurance industries:

- the financial conglomerate's capital is determined based on the sector's solvency rules (CRR/CRD 4 for the banking sector and Solvency II for the insurance sector);
- the requirements for the financial conglomerate are determined on the basis of banking sector requirements, calculated according to CRR/CRD 4 rules, including all capital buffers resulting from SREP 2016 applicable in 2017, and on the basis of the solvency capital requirement (SCR) for the insurance sector, calculated in accordance with the Solvency II regulation.

In calculating the financial conglomerate's capital adequacy, the requirements and deductions of insurance entities are treated in compliance with Solvency II rules as a replacement of the CRR/CRD 4 solvency rules. The latter consist primarily of a 370% weighting of investments in equities treated according to the simple weighting method.

This adequacy is calculated taking transitional measures into account.

Governance for the prudential supervision of financial conglomerates falls to the Capital Committee, which meets quarterly under the Chairmanship of the Chief Operating Officer.

As at 31 December 2017, BNP Paribas Group, as a financial conglomerate, had capital of EUR 101.8 million compared to a total requirement of EUR 79.4 million, which represents a capital surplus of EUR 22.4 million.

## RECOVERY AND RESOLUTION

Following the 2008/2009 financial crisis, international banking regulatory bodies adopted a series of regulations and directives based on the recommendations of the Financial Stability Board to facilitate the authorities' management of crises involving financial institutions and limit the impact of a potential collapse on the economy and public finances.

These rules started to be implemented in 2010, although some are still being amended. They provide for:

- powers and instruments for the supervisory authorities to allow for better anticipation and oversight of the recovery of banks in difficulty, particularly by means of recovery plans;
- powers and instruments for the resolution authorities in order to implement orderly resolution of a bank that would not have been able to recover by itself and would be placed in resolution. This is based among other things on the resolution documents required from banks;
- the addition of further regulatory requirements for banks with the introduction of a TLAC (Total Loss Absorption Capacity) minimum ratio for global systemically important banks (G-SIBs), as well as a minimum MREL (Minimum Requirement for own funds and Eligible Liabilities) ratio applicable to all European banks. These two requirements – which overlap quite considerably – aim to ensure a sufficient quantity of liabilities able to absorb losses or be converted into equity;

- new bail-in rules for banks, with a review of the ranking of creditors including the creation of a new category of TLAC eligible debt (senior non-preferred), plus the creation of a resolution fund financed by the banks, with the aim of avoiding any recourse to public assistance.

The recommendations of the Financial Stability Board were transposed into French banking law in July 2013, introducing in particular the obligation to create recovery and resolution plans, and resolution powers for the ACP, now known as the ACPR (*Autorité de Contrôle Prudentiel et de Résolution*).

On a European level, the BRRD (Bank Recovery and Resolution Directive) was passed in 2014 and has been transposed into the law of all European Union Member States. This directive, as well as the Single Resolution Mechanism (SRM) regulation of 2014 and various additional delegated regulations, form all of the current regulations governing the recovery and resolution of European financial institutions. In November 2016, the European Commission proposed a series of amendments to BRRD, CRD 4 and CRR, which are mainly still under discussion (see paragraph *Changes in regulations* below).

## Recovery Plan

The recovery plan, prepared at Group level, describes the possible recovery options if the Group were to find itself in a distressed situation. It also contains information needed by the authorities to understand the Group's operations, resilience and capacity to absorb losses.

BNP Paribas submitted its updated 2017 Recovery Plan to the ECB in September 2017. The Single Resolution Board (SRB) and other authorities can obtain the Recovery Plan from the ECB.

Prepared in accordance with the Financial Stability Board's recommendations, and pursuant to the provisions of the French Monetary and Financial Code, this updated Recovery Plan was submitted to the Board of Director's Internal Control, Risk Management and Compliance Committee (CCIRC) for review and then to the Board of Directors for approval (see chapter 2 *Corporate governance*).

The new version of the Plan includes updated figures and takes account of changes in the Group's organisation and activities, and has been expanded and deepened compared to the 2016 Plan. It takes account of the comments of the ECB and the Recovery College's participating authorities, which met in January 2017, as well as developments in European regulations.

This Recovery College, organised under the auspices of the ECB, brings together the authorities in the member countries of the European Union in which BNP Paribas has a presence, as well as the European Banking Authority.

## Resolution documentation

In December 2017, BNP Paribas submitted a set of documents to the *Autorité de contrôle prudentiel et de résolution* (ACPR) to be forwarded to the Single Resolution Board (SRB). These documents contain information that may be needed by the authorities to prepare a plan for the resolution of BNP Paribas, should it become necessary.

The Bank also provided a series of templates, notably including an analytical statement of the Bank's and its subsidiaries' liabilities (Liability Data Template), requested by the SRB to assist in its initial analysis of the future Minimum Requirement for Eligible Liabilities (MREL) available for bail-in.

In 2017, BNP Paribas took part in a series of working meetings of the Internal Resolution Team (IRT), including the SRB, the ACPR and other EU bank resolution authorities, under the auspices of the SRB.

The meetings of the Crisis Management Group (CMG) and the Resolution College, initially scheduled for the end of 2017, were held in January 2018.

Furthermore, in December 2015, BNP Paribas presented a resolution plan to the American authorities, pursuant to Rule 165(d) of the Dodd-Frank Act. The Group was informed by the American authorities that the next plan update would be due at the end of 2018.

## TLAC

The Total Loss Absorbing Capacity (TLAC) ratio requirement is 16% of risk-weighted assets as at 1 January 2019, rising to 18% by 1 January 2022, plus the 2.5% capital conservation buffer and BNP Paribas' 1.5% G-SIBs buffer. The overall TLAC ratio requirement, including buffers, is thus 20% and 22% of risk-weighted assets in 2019 and 2022, respectively.

The TLAC requirement also provides for a minimum ratio of 6% of the leverage ratio denominator in 2019 and 6.75% in 2022. For BNP Paribas, the requirement calculated on the basis of the leverage is less constraining than that based on risk-weighted assets; therefore the latter applies.

Under its 2017-2020 development plan, the Group's target is a TLAC ratio of 21.0% in 2020 of weighted assets, assuming unchanged regulatory requirements.

The debt issuance targets aimed at satisfying these requirements and their nature are described in the section *Wholesale funding trends based on regulatory changes* in section 5.8 *Liquidity risk*.

## Changes in regulations

BNP Paribas closely tracks the regulatory developments relating to Bank Recovery and Resolution, in particular:

- the proposed amendments to the European directives and regulations on recovery and resolution (CRR, CRD 4, BRRD, SRMR) announced on 23 November 2016 and which were reviewed by the European Parliament and among Member States throughout 2017;
- statutory amendments to the bank insolvency hierarchy contained in the European initiative announced on 23 November 2016 and which were agreed upon by co-legislators, published in the OJEU on 12 December 2017;
- the upcoming MREL (Minimum Requirement for Eligible Liabilities). In 2017, the Single Resolution Board continued its discussions with banks on consolidated MREL objectives, whose maturity and composition (in terms of debt quality) will likely be formally announced to the banks during the first half of 2018. These objectives may be changed at a later date in light of discussions with banks and the regulatory developments proposed by the European Commission on 23 November 2016;

- the work of the Financial Stability Board concerning notably TLAC (Total Loss Absorbing Capacity) and in particular internal TLAC (additional TLAC requirement to be complied with at the level of significant sub-groups) and the practical implementation of bail-in tools;
- the European Commission's proposals, including measures to harmonise the TLAC and MREL standards;
- discussions focused on the creation of a European Deposit Insurance Scheme (EDIS).

## LEVERAGE RATIO

The Basel 3/CRD 4 Regulation introduced the leverage ratio, whose main objective is to serve as a complementary measure to the risk-based capital requirements (back-stop principle).

The delegated act amending Regulation (EU) No. 575/2013 adopted by the European Commission on 10 October 2014, specifies the changes in the methods for calculating the ratio relative to the initial 2013 text.

The leverage ratio is calculated by dividing Tier 1 capital by exposure calculated using the balance sheet assets and off-balance sheet commitments assessed according to a prudential approach. Derivatives and repurchase agreements are also adjusted.

The ratio is based on data from regulatory reports collected since 1 January 2014. It is available to the public since 1 January 2015, in accordance with regulations. On 23 November 2016, on the basis of the report submitted by EBA, the European Commission made a proposal to the European Parliament and to the Council for a new regulation amending Regulation (EU) No. 575/2013, including, among other items, the leverage ratio. The proposal confirms the minimum level of 3%.

As part of finalising the Basel 3 agreements, on 7 December 2017 the Basel Committee announced the leverage ratio framework would be revised, with:

- the establishment of an additional requirement ("buffer") as a leverage ratio for global systemically important banks (G-SIBs). This leverage ratio buffer is equal to 50% of the G-SIBs buffer applicable to CET1 as described in the *Capital adequacy and capital planning* section;
- the change in the method of measuring derivative financial instruments and off-balance sheet exposures.

The Basel Committee recommends first application of this buffer in 2022; however, this agreement must be transcribed into European law by the European Commission to be applicable.

The qualitative elements (LRQua) requested by the Implementing Regulation (EU) No. 2016/200 of 15 February 2016 are described below.

### The processes used to manage the risk of excessive leverage

Monitoring of the leverage ratio is one of the responsibilities of the Capital Committee (as described in the section *Capital management* hereafter).

### The factors that had an impact on the leverage ratio during the period to which the disclosed leverage Ratio refers

The leverage ratio was 4.6% as of 31 December 2017, compared with 4.4% as of 31 December 2016. The variation was attributable particularly to the increase in Tier 1 capital.

The table below shows the leverage ratio according to the format required by Implementing Regulation (EU) No. 2016/200 of 15 February 2016.

Only relevant items with a non-zero value are included.

### ➤ TABLE 20: LEVERAGE RATIO – ITEMISED

**➤ *Summary reconciliation of accounting assets and leverage ratio exposures (LRSum)***

| | *In billions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| 1 | Total assets as per published financial statements | 1,960 | 2,077 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | (210) | (199) |
| 4 | Adjustments for derivative financial instruments | (79) | (149) |
| 5 | Adjustment for securities financing transactions (SFTs) * | (1) | 2 |
| 6 | Adjustment for off-balance sheet items (*i.e.* conversion to credit equivalent amounts of off-balance sheet exposures) | 157 | 157 |
| 7 | Other adjustments | (24) | (28) |
| **8** | **LEVERAGE RATIO TOTAL EXPOSURE MEASURE** | **1,803** | **1,860** |

*(*) Securities financing transactions.*

### Leverage ratio common disclosure (LRCom)

| | *In billions of euros* | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| | **On-balance sheet exposures (excluding derivatives and SFTs(*))** | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 1,351 | 1,360 |
| 2 | (Asset amounts deducted in determining Tier 1 capital) | (17) | (18) |
| **3** | **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)** | **1,334** | **1,342** |
| | **Derivative exposures** | | |
| 4 | Replacement cost associated with all derivatives transactions (*i.e.* net of eligible cash variation margin) | 44 | 50 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method) | 144 | 158 |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | (32) | (33) |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | (15) | (9) |
| 9 | Adjusted effective notional amount of written credit derivatives | 418 | 482 |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | (394) | (452) |
| **11** | **Total derivatives exposures (sum of lines 4 to 10)** | **165** | **197** |
| | **SFT exposures(*)** | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 280 | 284 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT(*) assets) | (138) | (124) |
| 14 | Counterparty credit risk exposure for SFT(*) assets | 5 | 4 |
| **16** | **Total securities financing transaction exposures (sum of lines 12 to 14)** | **147** | **164** |
| | **Other off-balance sheet exposures** | | |
| 17 | Off-balance sheet exposures at gross notional amount | 384 | 380 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (227) | (223) |
| **19** | **Other off-balance sheet exposures (sum of lines 17 and 18)** | **157** | **157** |
| | **Capital and total exposure mesure** | | |
| **20** | **Tier 1 capital(**)** | **84** | **81** |
| **21** | **Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19)** | **1,803** | **1,860** |
| **22** | **LEVERAGE RATIO** | **4.6%** | **4.4%** |
| | **Choice on transitional arrangements and amount of derecognised fiduciary items** | | |
| EU-23 | Choice on transitional arrangements for the definition of the capital measure | Fully-loaded(**) | Fully-loaded(**) |

*(*) Securities financing transactions.*
*(**) In accordance with the eligibility rules for grandfathered debts in additional Tier 1 capital applicable in 2019.*

*Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (LRSpl)*

| | *In billions of euros* | 31 December 2017 | 31 December 2016 Proforma |
|---|---|---|---|
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **1,334** | **1,342** |
| EU-2 | Trading book exposures | 122 | 126 |
| EU-3 | Banking book exposures, of which: | 1,212 | 1,217 |
| EU-5 | Exposures treated as sovereigns | 307 | 316 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns | 29 | 28 |
| EU-7 | Institutions | 36 | 40 |
| EU-8 | Secured by mortgages of immovable properties | 181 | 182 |
| EU-9 | Retail exposures | 214 | 194 |
| EU-10 | Corporate | 281 | 281 |
| EU-11 | Exposures in default | 17 | 20 |
| EU-12 | Other exposures (e.g. equity, securitisations, and other non-credit obligation assets) | 147 | 156 |

*In application of Article R511-16-1 of the French Monetary and Financial Code, the return on assets (the cumulative net income divided by the total balance sheet assets on a consolidated basis) of BNP Paribas was 0.42% in 2017 and 0.39% in 2016.*



# CAPITAL MANAGEMENT

To ensure the Group's sustainability, the Bank must maintain an adequate level of capital with respect to the risks to which it is exposed and its strategy. Capital is a rare and strategic resource which requires stringent, clearly defined, rigorous management using an approach which takes account of the needs and demands of stakeholders, including shareholders, supervisors, creditors and depositors.

## OBJECTIVES

BNP Paribas' capital management:

- is governed by policies and procedures which make it possible to understand, document and supervise capital management practices throughout the Bank;
- takes risk measurement into account to determine the use of the capital;
- considers capital requirements and resources under normal operating conditions, as well as under situations of severe, but plausible stress;
- presents a forward-looking vision of the Bank's capital adequacy to the Executive Management;
- allocates the capital constraint to the business lines in keeping with their strategic objectives;
- complies with the Internal Capital Adequacy Assessment Process (ICAAP);
- is monitored by an appropriate governance.

## CAPITAL MANAGEMENT AT CENTRAL LEVEL

BNP Paribas' capital management aims to ensure and verify that the Group has adequate capital to comply with the regulatory capital ratios, as well as special requirements, for instance to operate as a global systemically important bank. To ensure its capital adequacy, the Group abides by the following principles:

- maintaining the capital at an appropriate level in view of BNP Paribas' activities, risk appetite, growth and strategic initiatives;
- maintaining BNP Paribas' capital at a level which complies with regulatory requirements;
- keeping a balance between capital adequacy and return on capital;
- meeting its obligations *vis-à-vis* creditors and counterparties, at each due date;
- continuing to operate as a financial intermediary.

### Governance

The governance of the development, approval and update of the capital planning process is handled by two committees:

- the Risk-Weighted Assets Committee: it is jointly chaired by the Chief Financial Officer and the Chief Risk Officer, and comprises the operational divisions' Chief Financial Officers and Chief Risk Officers. The committee meets quarterly to examine forecasts of the Group's risk-weighted assets in the context of the budget cycle and updating of its estimates.

The Risk-Weighted Assets Committee is tasked with:

- monitoring and discussing the forecasts of the Group's risk-weighted assets for each business line,
- identifying the main assumptions underlying these forecasts and checking their accuracy,
- identifying any evolution factors and quantifying their impacts,
- proposing adjustments if required;

- the Capital Committee: it meets at least quarterly under the Chairmanship of the Chief Operating Officer. The committee's mission is to validate the Group's targets in terms of solvency ratios and Total Loss-Absorbing Capacity (TLAC) requirements as well as the trajectory to achieve these targets; to ensure this trajectory is followed; and propose corrective measures if required.

  The Capital Committee is tasked with:

  - monitoring, validating and anticipating changes in the business lines' risk-weighted assets as well as changes in the Group's prudential ratios, and monitoring these indicators relative to the Group's Risk Appetite, which is stated in the Risk Appetite Statement. This includes the capital adequacy ratios, the financial conglomerate, the TLAC ratio and the leverage ratio,
  - identifying any evolution factors and quantifying their impacts,
  - defining trends in short/medium-term capital consumption and proposing the ensuing arbitrages to the Group's Executive Committee,
  - monitoring internal capital adequacy as part of the ICAAP,
  - monitoring the impacts of global stress test results,
  - monitoring the implementation of the supervisor's decisions that have an impact on the Group's solvency ratio or the amount of its risk-weighted assets.

  The Capital Committee is also the Group's competent Executive Management authority for all issues related to the internal credit and operational risk model.

### Monitoring indicators

Capital management at the consolidated level rests on the following indicators:

- the solvency ratios:

  BNP Paribas uses CET1 as its main internal capital management indicator. The Group concentrates more specifically on a fully loaded CET1 ratio in anticipation of its 2019 capital needs;

- risk-weighted assets:

  The risk-weighted assets are calculated per business line and per type of risk. The change in risk-weighted assets is analysed per type of effect (in particular: volume effect, parameters effect, perimeter effect, currency effect and method effect);

- notional equity:

  The capital allocation transfers the capital constraints to all Group divisions and thus represents a major constraint concerning the Group's development and management. The evaluation of the business lines' performance includes the analysis of their pre-tax Return On Notional Equity – (RONE) indicators. The equity component of this ratio is the notional equity, which corresponds to the business lines' consumption of capital.

This management rests on two major processes which are closely linked:

- a detailed quarterly analysis of actual capital consumption by divisions/business lines and of the Group's solvency ratios, as well as quarterly forecasts of these indicators throughout the year;
- the yearly budget process, which plays a central role in the Bank's strategic planning process.

## CAPITAL MANAGEMENT AT LOCAL LEVEL

The Group has to allocate available capital among its different entities. To ensure a free and efficient flow of capital throughout the Group, the capital allocation process within the Group is centralised at head office level. It is mainly based on two principles: compliance with local regulatory requirements and analysis of the local business needs of the entity and growth prospects. In line with these two principles, the aim is to minimise capital dispersion.

With respect to the first principle, the local Chief Financial Officers are responsible for the daily management and reporting of their subsidiaries' capital requirements. When a capital need arises, it is analysed on a case-by-case basis by the Group, taking into consideration the subsidiary's present position and future strategy. Furthermore, each year, the Group manages the subsidiaries' earnings repatriation process. The Group general policy stipulates that the entire distributable profit of every entity, including retained earnings, must be paid out, with exceptions reviewed on a case-by-case basis. This policy ensures that the capital remains centralised at BNP Paribas SA level and also contributes to reducing the foreign exchange risk.

Local Chief Executive Officers are responsible for ensuring the subsidiary's ongoing financial viability and competitiveness in terms of capital, where relevant. However, any capital action requested by a subsidiary is assessed by and subject to authorisation from head office.

With respect to the second principle, the needs of each entity are analysed by dedicated teams in light of the Group's strategy in the relevant country, the entity's growth prospects and the macroeconomic environment.

As regards the branches, the Group reviews their capital allocation annually using the same approach. Here again, the policy is to maintain the level of capital at the adequate level, the principle being that capital ratios of the branches must not exceed that of their parent company, unless required for tax or regulatory reasons, which are analysed by the relevant departments.

# 5.3 Risk management [Audited]

## GOVERNANCE

The specialised Committees of the Board of Directors (see chapter 2, *Corporate Governance and internal control*), which examine the risks taken and the risk policies on a Group scale, are:

- the Internal Control, Risk Management and Compliance Committee (CCIRC);
- the Joint Committee that combines the CCIRC and the Financial Statements Committee.

In line with the Group's Risk Appetite Statement, Executive Management gives the broad direction for the major guidelines based on three key dimensions – risk, capital and liquidity – through the following bodies which are subsets of the Group's Executive Committee:

- Risk Forum: examines all risk topics considered as important and identifies those requiring additional analyses or risk decisions by the appropriate committees;
- Capital Committee: described under *Capital management* in section 5.2, validates the Group's objectives in terms of solvency ratios and Total Loss-Absorbing Capacity (TLAC) requirements as well as the trajectory to achieve these targets, monitors the compliance with this trajectory and, when relevant, proposes corrective actions. As the Group's competent Executive Management authority for all issues related to the internal credit and operational model, the Capital Committee is informed of decisions made in the MARCo Committee (Model Approval and Review Committee);
- Group ALM Committee (Group ALCo): responsible for the management of the liquidity risk, interest rate risk and structural foreign exchange risk over the whole Group.

Moreover, the Group Supervision and Control Committee (GSCC) brings together the Group's control functions at Executive Management level and takes a Group-wide approach to tackling all aspects of risk exposure.

The following figure shows the main governance bodies at Group level for risk management.

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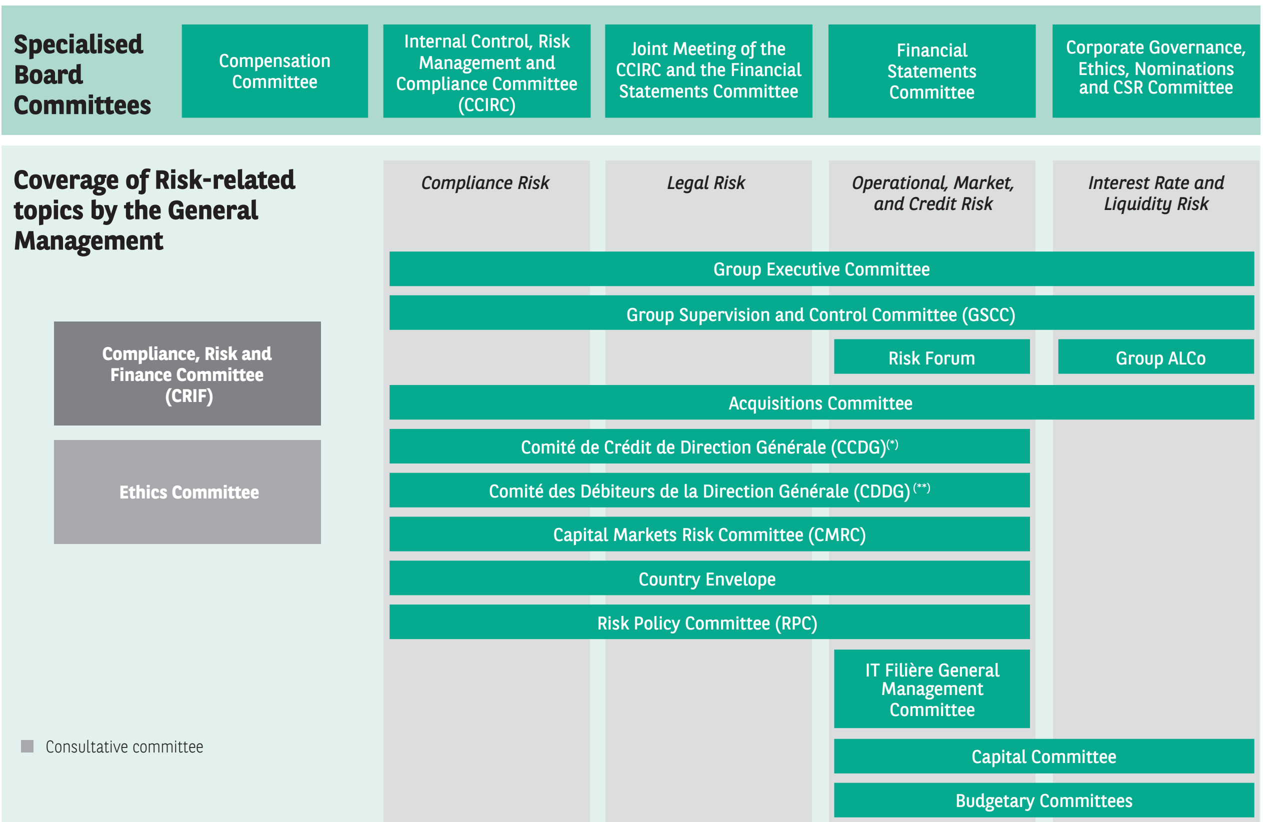
**➤ FIGURE 5: OVERVIEW OF GROUP LEVEL GOVERNING BODIES COVERING RISK-RELATED TOPICS** [Audited]




(*) *General Management Credit Committee*
(**) *General Management Doubtful Committee*

The other main bodies at Group level have the following roles:

- the General Management Credit Committee (CCDG) is the Group's highest authority concerning credit and counterparty risks; it decides on risk-taking and conducts annual reviews of authorisations for customers or groups, in both cases beyond certain thresholds;
- the General Management Doubtful Committee (CDDG) decides, beyond certain thresholds, on specific provisions and recognitions of losses relative to Group exposures to defaulting counterparties;
- the Capital Markets Risk Committee (CMRC) is the body which governs the Group's risk profile of the capital markets activities; its tasks include, among others, analysing market and counterparty risks and setting limits for capital market activities;
- the Country Envelope Committees set limits for medium to high risk countries, in light of market conditions, business strategies and risk and compliance aspects;
- a Risk Policy Committee (RPC) defines the appropriate risk policy on a given matter such as a business activity, a product, a geography (region, country), a client segment or an economic sector;
- the General Management IT Committee oversees Group-wide topics in the IT sector and validates the Group's strategy, governance framework, and risk strategy in terms of IT.

# RISK MANAGEMENT ORGANISATION

## POSITION OF THE CONTROL FUNCTIONS

Risk management is central to the banking business and is one of the cornerstones of operations for the BNP Paribas Group. BNP Paribas has an internal control system covering all types of risks to which the Group may be exposed, organised around three lines of defence (see the *Internal Control* section in Chapter 2, *Corporate Governance and Internal Control*):

- as the first line of defence, Internal Control is the business of every employee, and the heads of the operational activities are responsible for establishing and running a system for identifying, assessing and managing risks according to the standards defined by the functions exercising an independent control in respect of a second level of control;
- the main control functions within BNP Paribas ensuring the second line of defence are the Compliance, Risk and Legal functions. Their Heads report directly to Chief Executive Officer and account for the performance of their missions to the Board of Directors via its specialised committees;
- General Inspection provides a third level of defence. It is responsible for the periodic control.

## GENERAL RESPONSIBILITIES OF THE RISK AND COMPLIANCE FUNCTIONS

Responsibility for managing risks primarily lies with the divisions and business lines that propose the underlying transactions. Risk continuously performs a second-line control over the Group's credit, market, banking book interest rate, liquidity, operational and insurance risks. As part of this role, it must ascertain the soundness and sustainability of the business developments and their overall alignment with the risk appetite target set by the Group. Risk's remit includes formulating recommendations on risk policies, analysing the risk portfolio on a forward-looking basis, approving corporate loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures and defining or validating risk measurement methods. Risk is also responsible for ensuring that all the risk implications of new businesses or products have been adequately assessed.

Compliance has identical responsibilities as regards compliance and reputation risks. It plays an important oversight and reporting role in the process of validating new products, new business activities and exceptional transactions.

## ORGANISATION OF THE RISK AND COMPLIANCE FUNCTIONS

### Approach

The Risk organisation fully complies with the principles of independence, vertical integration, and decentralisation issued by the Group's Management for the Group's main control functions (Compliance, Risk, Legal, and a third line of defence, General Inspection). Hence within Risk:

- all the teams in charge of risks, including those in operational entities have been integrated in the function with reporting lines to the Chief Risk Officers of these entities;
- the Chief Risk Officers of the entities report to Risk.

Moreover, this organisation enabled the governance of risk management activities to be strengthened, especially regarding model risk management, by creating Risk Independent Review and Control (Risk IRC), reporting directly to the Chief Risk Officer (CRO) which groups together the teams in charge of the independent review of the risk methodologies and models, and in the area of operational risk, with the organisation described in section 5.9 *Operational, compliance, and reputation risk.*

In accordance with international standards and French regulations, Compliance manages the system for monitoring compliance and reputation risks for all of the Group's businesses in France and abroad. The system for monitoring compliance and reputation risks is described in section 5.9.

### Role of the Chief Risk Officer

The Group Chief Risk Officer directly reports to the Chief Executive Officer and sits on the Executive Committee of BNP Paribas. He has line authority over all Risk employees. He can veto the risk-related decisions and has no connection, in terms of authority, with the Heads of core businesses, business lines and territories. This positioning serves the following purposes:

- ensuring the objectivity of risk control, by removing any involvement in commercial relationships;
- making sure senior management is warned of any deterioration in risk and is rapidly provided with objective and comprehensive information on the status of risks;
- enabling the dissemination, throughout the Bank, of high and uniform risk management standards and practices;
- ensuring the quality of risk assessment methods and procedures by calling on professional risk managers in charge of evaluating and enhancing these methods and procedures in light of the best practices implemented by international competitors.

### Role of the Chief Compliance Officer

The Chief Compliance Officer directly reports to the Chief Executive Officer and sits on the Executive Committee of BNP Paribas. He has direct access, if necessary, to the Board of Directors and its Internal Control, Risk Management and Compliance Committee. He has no operational activity outside of compliance and reputation risk and no commercial activity, which guarantees his independence of action. As the person responsible for the Compliance Function, he exercises a hierarchical supervision over all the compliance teams in the various business units, geographical areas and functions.

The Compliance Function's mission is to issue opinions and decisions, and provide oversight and second-line controls, in order to give reasonable assurance that the Group's compliance oversight procedures for its transactions are effective and consistent, and that its reputation has been protected.

## RISK CULTURE



### ONE OF THE GROUP'S CORE FOUNDING PRINCIPLES

The BNP Paribas Group has a strong risk and compliance culture.

Executive Management has chosen to include the risk culture in three of its key corporate culture documents:

- Code of conduct:

  The Group adopted a new code of conduct in 2016. It applies to all employees and defines the rules for our conduct in line with the core values of our corporate culture. For example, employees are reminded in the code of conduct that the Group's interests are protected by responsible risk-taking in a strict control environment. The code of conduct also includes rules for protecting customers' interests, financial security, market integrity and professional ethics, which all play an important role in mitigating compliance and reputation risks;
- Responsibility Charter:

  Executive Management drew up a formal Responsibility Charter, inspired by the Group's core values (the "BNP Paribas Way"), management principles and code of conduct. One of the four commitments is "Being prepared to take risks, while ensuring close risk control".

  The Group sees rigorous risk control as part of its responsibility, both to clients and to the financial system as a whole. The bank's decisions on the commitments it makes are reached after a rigorous and concerted process, based on a strong, shared risk culture which pervades all levels of the Group. This is true both for risks linked to lending activities, where loans are granted only after in-depth analysis of the borrower's situation and the project to be financed; and for market risks arising from transactions with clients – these are assessed on a daily basis, tested against stress scenarios, and subject to limits.

  As a strongly diversified Group, both in terms of geography and businesses, BNP Paribas is able to balance risks and their consequences as they materialise. The Group is organised and managed in such a way that any difficulties arising in one business area will not jeopardise another in the Bank;
- The Group's mission and commitments:

  The mission of BNP Paribas is to finance the economy and advise its clients, by supporting them with their projects, their investments, and the management of their savings, guided by strong ethical principles. Through these activities, BNP Paribas wants to have a positive impact on stakeholders and on society, and be one of the most trustworthy players in the sector. BNP Paribas' 12 commitments as a Responsible Bank (see section 7.2 *Economic Responsibility: financing the economy in an ethical manner*) include in particular the commitment to finance the economy ethically, and the commitments to apply the highest ethical standards and rigorously manage environmental, social, and governance risks.

### SPREADING THE RISK CULTURE

Robust risk management is an integral part of the Bank's makeup. A culture of risk management and control has always been one of its top priorities.

BNP Paribas launched the Risk Academy, a Group-wide initiative, giving it the objective of disseminating the best practices in risk management.

The Risk Academy is an open structure sponsored by four functions: Compliance, Legal, HR, and Risk, designed for the benefit of all staff and covering all types of risks to which the Group may be exposed, including credit, market, liquidity, operational, compliance and regulatory risks, the Risk Academy is organised around an evolving and participative framework intended to strengthen the Group's risk culture. The main aims of the Risk Academy are:

- to promote training and professional development efforts in the area of risk management;
- The exchange of information and sharing of knowledge among the Bank's different players.

The Risk Academy defined six fundamental risk management practices that are widely disseminated across the Group, through a number of different initiatives. They are key to developing a robust risk culture. They serve as a reminder to staff about the importance of clearly understanding and anticipating risks with a long-term perspective, being disciplined with risks taken and reporting swiftly and transparently on risk issues.

Lastly, the risk culture is also spread throughout the Group by linking compensation to performance and risk (see chapter 7, section entitled *A competitive compensation policy*), under a system that was strengthened in this area since 2015 for those employees whose decisions entail a significant risk component.

# RISK APPETITE

## DEFINITION AND OBJECTIVES

The Group does not have a specific risk appetite target, but some risks are inherent to its business and therefore to the achievement of its strategic objectives. It has prepared a Risk Appetite Statement and Risk Appetite Framework, which should be seen as the Group's formal statement of its appetite for the risks to which it is exposed as it implements its strategic plan. The Board of Directors further strengthened the Group's approach when it adopted a stronger version of its Risk Appetite Statement in 2016, on the proposal of Executive Management.

Consistent with the Group's strategic plan and in light of the environment in which it operates, this document sets out the qualitative risk principles it intends to follow in its business activities, as well as a quantitative mechanism for supervising the Group's risk profile indicators through quantitative metrics and thresholds. This system covers both the quantifiable and non-quantifiable risks to which it is exposed.

The Group's risk appetite is determined by Executive Management, through the various committees it chairs (CCDG, CMRC, Group ALCo, and Capital Committee), which are tasked with managing the Group's different types of risk exposure. The Group's strategic processes, such as budget, capital and liquidity management, are in line with the Risk Appetite Statement. Certain Risk Appetite Statement indicators are included in the budget exercise and their expected values in the budget are cross-checked against the thresholds in the Risk Appetite Statement.

The Group's Risk Appetite Statement reflects the core values of its risk culture. It states that the Group's risk culture and its commitments as a responsible bank are at the heart of its strategy. The Statement reaffirms the Group's mission: to finance the economy, advise its clients, and help to finance their projects, guided by strong ethical principles. The Group's strategy underpinning its risk appetite is founded on the core principles that have guided its development: a balance between business activities to deliver profitability and stability, a customer-focused business model and an integrated banking model to optimise services to customers. This strategy also factors in developments in the banking industry, including the trend towards a digital model, an uncertain macro-economic outlook, marked by a low rates environment, and stringent regulatory constraints.

## RISK PRINCIPLES

The risk principles aim to define the types of risk the Group is prepared to accept in support of its business strategy.

They include the following in particular:

- diversification and risk-adjusted profitability:

  The Group seeks to generate sustainable, client-driven, risk adjusted profits. Sustainable profitability will be achieved based on selectivity and controlled evolution of assets, and the pursuit of a diversified business model. Whilst the Group accepts some level of earnings volatility, it remains attentive to contain, at all times, the level of maximum potential losses in an adverse scenario;
- solvency and profitability:

  BNP Paribas has sufficient capital to cope with stress scenarios and to meet regulatory capitalisation standards in force. In the course of serving its clients, BNP Paribas accepts exposure to risks when it earns a proper return over an acceptable timeframe, and when its potential impacts seem acceptable;
- funding and liquidity:

  The Group ensures that the diversification of and balance between its resources and uses of funds correspond to a conservative funding strategy, allowing it to withstand adverse liquidity scenarios. The Group makes sure that it complies with the regulatory liquidity ratios in force;
- credit risk:

  The Group only accepts exposure on customers it knows well, based on comprehensive information, and pays close attention to the structure of the financing it grants. The Group builds and maintains a diversified risk portfolio, avoiding large concentrations (especially on single names, industries and countries) and ensures that it complies with the concentration policies in force;

- market risk:

  BNP Paribas' activity in the capital markets is customer-focused. BNP Paribas intends to keep its market risk profile in line with this customer-focused business mode;
- operational risk:

  The Group aims to protect its customers, employees and shareholders from operational risk. To do so it has developed a risk management infrastructure based on identifying potential risks, strategies to mitigate risk, and actions to raise awareness of these risks. Some specific risks have resulted in the definition of dedicated principles, in particular:
  - non-compliance risk:

    The Group is committed to compliance with all applicable laws and regulations. It undertakes to implement a system to manage the risk of non-compliance, including through special programs dedicated to the most important regulations for its business,
  - IT security and cyber risk:

    The Group endeavours to reduce the risks related to the security of its information through various awareness actions, enhanced supervision of outsourced activities, heightened protection of terminals, incident monitoring, and a technology watch over IT vulnerabilities and attacks;
- insurance activities:

  BNP Paribas Cardif is exposed mainly to credit, underwriting and market risks. The entity closely monitors its exposures and profitability, taking into account its risks and the adequacy of its capital with regard to solvency rules. It endeavours to contain potential losses in adverse scenarios at acceptable levels.

Moreover, the Group applies the principles of its code of conduct and its responsible bank principles including its social and environmental responsibility, (see chapter 7 *A Committed Bank*) to all its activities.

### SUPERVISION OF RISK PROFILE INDICATORS

The Risk Appetite Statement sets out the indicators that measure the Group's risk profile for its risk exposure categories.

Risk level thresholds are assigned to each metric. When these thresholds are reached, they trigger an established process to inform Executive Management and the Board of Directors, and if need be, to implement action plans.

These indicators are monitored quarterly in the Risk Dashboards presented to the CCIRC.

For example, are included in the Risk Appetite indicators and are described in the Key figures of section 5.1:

- the fully loaded CET1 ratio;
- the balance of the breakdown of risk-weighted assets by business line (IFS, DM and CIB);
- the ratio of doubtful loans to gross loans;
- the cost of risk on outstanding loans (in annualised basis points);
- the liquidity coverage ratio (LCR).



## STRESS TESTING

To ensure dynamic risk supervision and management, the Group has implemented a comprehensive stress testing framework as described below.

### STRESS TESTING FRAMEWORK

The stress testing framework forms an integral part of the risk management system and is used in three main areas: forward-looking risk management, planning of regulatory resources and liquidity requirements, and optimisation of the deployment of these resources within the Group, mainly through the Group's and its main entities' ICAAP and ILAAP processes.

#### Different types of stress tests

There are two types of stress tests:

- Regulatory stress tests:

  These involve primarily the stress tests requested by the EBA, the ECB, or any other supervisory authority.

  The EBA and the ECB conducted EU-wide stress tests of the fifty-one largest European banks in 2016. They were based on common macroeconomic assumptions to allow a comparable assessment of all the banks included in the stress test. Several scenarios were used to test the impact on exposure to credit, market and operational risk, including a scenario of severe macroeconomic stress over a period of three consecutive years (the "adverse scenario").

  The impact of this major stress scenario on BNP Paribas' capital is to reduce the phased-in CET1 ratio by 246 basis points compared with 31 December 2015, versus an average reduction of -380 basis points across all of the fifty-one European banks tested.

  In 2017, the ECB conducted a regulatory stress test focused on the scope of interest rate risk for the banking book. The main European banks took part in this exercise, which demonstrated the Group's resilience to the various interest rate scenarios defined by the ECB;
- Internal stress tests:
  - stress tests dedicated to risk anticipation: they contribute to the forward-looking management of credit, market, counterparty, operating, activity and liquidity risks. The results of the stress tests (carried out using a top-down approach by central functions and the STFS team) are used, among other purposes, to formulate the Bank's risk appetite and periodically measure its risk profile, and are periodically submitted to Group Executive Management as well

as the Board's Internal Control, Risk Management and Compliance Committee (CCIRC) through the quarterly Group risk dashboard. Moreover, ad hoc stress testing is performed, when appropriate, within Risk Policy Committees, portfolio reviews or Country Strategic Committees to identify and assess areas of vulnerability within the Group's portfolios.

- stress tests for the budget process: they contribute to three-year capital planning. Stress tests are carried out annually as part of the budget process and are included in the ICAAP and the ILAAP. They are reviewed at divisional and business line level before being consolidated at Group level to provide a comprehensive view of the impact on the Bank's capital and earnings.

  The purpose of stress testing in the budget process is to assess the impact of an adverse macroeconomic scenario on the Group and its activities. These stress tests are part of the yearly budget process which is run on the basis of baseline and adverse scenarios.

  The impact of the adverse scenario is measured on P&L (revenues, cost of risk, etc.), balance-sheet, risk-weighted assets, and capital. The main risk appetite metrics are calculated within the framework of the adverse scenario in order to ensure compliance with the limits set.

  The expected final output of stress testing exercises is a Group stressed solvency ratio, as well as possible adjustment measures. The used scenarios, the outcomes of the stress tests and the proposed possible adjustment measures (such as reducing exposures to a sub-segment or changes in funding or liquidity policies, etc.) are included in the budget synthesis report presented to the Group Executive Management at the end of the budget process.

### Governance and implementation

This framework is based on a well-defined governance, with clear responsibilities, shared between the Group and operational entities in order to encourage operational integration and relevance. In February 2017, the Group decided to launch a Stress Testing and Extended Planning (STEP) programme serving both the Group and its subsidiaries and business lines. The aim of the STEP programme is continue to respond effectively to the various regulatory stress tests, such as the EBA scheduled for 2018, and to develop internal stress test practices required for proper risk management and Group resource planning.

Committed to effectively delivering the best solution for the Group, Group Finance, Risk and ALM & Treasury have decided to create a shared team – Stress Testing and Financial Synthesis ("STFS"), responsible for implementing the STEP programme and its deployment across the Group's entities and activities.

The STFS team is responsible in particular for:

- defining and implementing the Group's target structure in terms of stress testing while covering the associated organisational issues, IT systems and governance;
- performing all of the Group's stress testing exercises, relying in particular on existing teams within Risk and Group Finance;
- supporting the stress test initiatives of the Group's business lines and legal entities in order to ensure overall consistency and streamline procedures;
- managing the Group's financial synthesis and steering its adaptation to the challenges of SREP.

Stress test methodologies are tailored to the main categories of risk and subject to independent review.

Stress tests may be run at Group, business line or portfolio level, dedicated to one or more risk types and on a more or less large number of variables depending on the pursued objective. Where appropriate, the results of quantitative models may be adjusted on the basis of expert judgement.

Since its creation, the Group's stress testing framework has evolved continuously in order to integrate the most recent developments in stress tests, whether in terms of methodologies or improved operational integration in the Group's management processes. The stress test framework by type of risks is detailed in sections 5.4 *Credit risk*, 5.6 *Counterparty credit risk* and 5.7 *Market risk*.

## INTERNAL STRESS TEST SCENARIO DEFINITION

In stress testing exercises, it is common practice to distinguish baseline scenario and adverse scenarios. A macroeconomic scenario is typically a set of macroeconomic and macrofinancial variables (GDP and its components, inflation, unemployment, interest and exchange rates, stock prices, commodity prices, etc.) values projected over a given future period of time.

### Baseline scenario

The baseline scenario is considered as the most likely scenario over the projection horizon. The baseline scenario is constructed by Group Economic Research in collaboration with:

- Group ALM Treasury (interest rates);
- Wealth Management (equity indices);
- BNPP Real Estate (commercial real estate);
- local economists (regional expertise);
- Risk (coordination and overall consistency of the scenario).

The global scenario is made up of regional and national scenarios (euro zone, France, Italy, Belgium, Spain, Germany, United Kingdom, Poland, Turkey, United States, Japan, China, India, Russia, etc.) consistent with each other.

### Adverse scenario

An adverse scenario describes one (or more) potential shock(s) to the economic and financial environment – i.e. the materialisation of one or several risks to the baseline scenario – over the projection horizon. An adverse scenario is thus always designed in relation to a baseline scenario, and the shocks associated with the adverse scenario are translated in the set of macroeconomic and financial variables listed above as deviations from their value in the baseline scenario. The adverse scenario is constructed by Risk with the benefit of the expertise of the same team from Group functions or business lines used for the baseline scenario.

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#### Construction of scenarios

Adverse scenarios are revised quarterly by Risk for a review of the Bank's risk appetite metrics and credit provision calculations within the framework of IFRS 9.

They are also approved (together with the baseline scenario) by Group Executive Management in June and September as part of the Group's budget process. For the other two quarterly exercises in March and December, scenarios are approved jointly by the Risk Director and the Group Chief Financial Officer.

The scenarios are then used to calculate expected losses (or P&L impact in the case of market risks) over the year for all Group portfolios:

- for portfolios exposed to credit or counterparty risk and for the equity portfolio of the banking book: this calculation measures the impact of the scenario on the cost of risk and risk-weighted assets due to the deterioration of the portfolio quality resulting from the adverse scenario, or adverse moves in equity prices. Credit risk stress tests are performed on the Bank's entire portfolio for all regions and all prudential portfolios, namely Retail, Corporate and Financial Institutions;
- for market portfolios: the changes in value and their P&L impact are calculated by simulating a one-time shock, which is consistent with the overall scenario.

The above calculations and related methodologies for stress tests on credit and market risks are coordinated centrally at Group level by STFS team. They also involve various teams of experts at Group and territory's levels in their implementation and design.

# 5.4 Credit risk

Credit risk is the consequence resulting from the likelihood that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The probability of default and the expected recovery on the loan or receivable in the event of default are key components of the credit quality assessment.

In accordance with the EBA's recommendations published in December 2016 on the revised Pillar 3, equity exposures under the standardised approach and using the simple weighting method, shown previously in section 5.7 *Market risk related to banking activities*, are now included in section 5.4 *Credit Risk*.

## EXPOSURE TO CREDIT RISK [Audited]

The following table shows the gross exposure of all of the BNP Paribas Group's assets exposed to credit risk. The banking book securitisation positions as well as derivatives and repurchase agreements exposed to counterparty risk are excluded from this section and presented in section 5.5 and 5.6, respectively.

The main differences between the carrying amounts of the prudential balance sheet and the risk exposure amounts used for regulatory purposes are presented in table no. 8 in the *Scope of Application* section of section 5.2.

These gross exposure amounts do not include collateral taken by the Group in its normal credit risk management operations (see the section *Credit risk mitigation techniques*).



### ➤ TABLE 21: CREDIT RISK EXPOSURE BY ASSET CLASS AND APPROACH [Audited]

| | 31 December 2017 | | | | 31 December 2016 Proforma | | | | Variation | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Exposure** *In millions of euros* | IRB approach | Standardised approach(*) | Simple risk-weighted method | Total | IRB approach | Standardised approach(*) | Simple risk-weighted method | Total | Total | Total– excluding foreign exchange effect |
| Central governments and central banks | 275,600 | 45,988 | | 321,588 | 284,817 | 47,469 | | 332,287 | (10,699) | 210 |
| Corporates | 487,586 | 143,962 | | 631,549 | 487,787 | 139,015 | | 626,803 | 4,746 | 37,655 |
| Institutions(**) | 46,771 | 24,528 | | 71,299 | 51,699 | 21,621 | | 73,320 | (2,021) | 1,474 |
| Retail | 256,551 | 182,870 | | 439,421 | 257,669 | 169,631 | | 427,299 | 12,121 | 21,009 |
| Equity | - | 1,699 | 13,622 | 15,321 | | 1,884 | 14,152 | 16,036 | (716) | (509) |
| Other items(***) | 381 | 28,040 | | 28,420 | 352 | 28,106 | | 28,458 | (38) | 465 |
| **TOTAL** | **1,066,890** | **427,086** | **13,622** | **1,507,597** | **1,082,324** | **407,726** | **14,152** | **1,504,202** | **3,394** | **60,304** |

(*) *In the following paragraphs, standardised credit risk exposures are reported according to the regulatory standardised classification.*

(**) *Institutions asset class comprises credit institutions and investment firms, including those recognised in other countries. It also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.*

(***) *Other non-credit-obligation assets include tangible assets, accrued income and residual values*

## TRENDS IN CREDIT RISK EXPOSURE

The increase in credit risk exposure excluding foreign exchange effect (excluding Other non-credit-obligation assets and Equity), totalling EUR 60 billion in 2017, is due mainly to the Bank's usual business activity. Currency effects have a significant influence on the change in exposure (-EUR 56 billion), particularly with the depreciation of the US dollar (-EUR 41 billion), Turkish lira (-EUR 4 billion) and Japanese yen (-EUR 3 billion). The changes by asset class, discussed hereafter, are exclusive of currency impact.

- the EUR 38 billion increase in corporate exposures is shared by the domestic markets in France (FRB +EUR 7 billion) and Belgium (BRB +EUR 7 billion) and to a lesser extent in Italy (BNL +EUR 2 billion), as well as CIB (EUR +10 billion), particularly in Asia and the United States, mainly in relation to large corporates;
- the EUR 21 billion increase in retail exposures stems from organic growth and the development of Personal Finance partnerships, as well as its acquisition of the financing activities of General Motors Europe, in addition to higher residential mortgage lending activity in France, Belgium and the United States.

## APPROACHES USED TO CALCULATE CAPITAL REQUIREMENTS

BNP Paribas has opted for the most advanced approaches allowed under Basel 3. In accordance with the European Directive and its transposition into French law, in 2007 the supervisor authorised the Group to use internal models to calculate capital requirements starting on 1 January 2008. Prior to its acquisition, the Fortis group had been authorised by Belgian banking supervisor, the National Bank of Belgium, to use the most advanced approach to assess its regulatory capital requirement. The internal rating policies and systems of the BNP Paribas Fortis and BGL BNP Paribas subgroups on the one hand and BNP Paribas on the other converge to a single methodology used uniformly across the entire Group (except for Retail Banking customers). The review being conducted for this purpose has shown the compatibility of the concepts developed in each of the two perimeters and allowed a harmonisation of the ratings of the key counterparties.

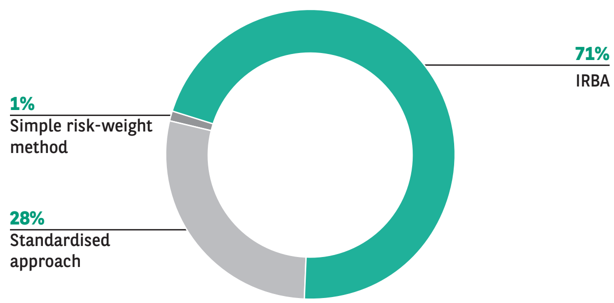
For credit risk, the share of exposures under the IRBA approach is 71% as at 31 December 2017, stable compared to 31 December 2016. This significant scope includes in particular Corporate and Institutional Banking (CIB), French Retail Banking (FRB), BNL SpA, a part of the BNP Paribas Personal Finance business (consumer loan book) and the entities BNP Paribas Fortis and BGL BNP Paribas. The IRBA scope nevertheless excludes certain entities such as those of the BancWest sub-group and subsidiaries in emerging countries.

Within the scope of equity exposures, the Group has mainly opted for the simple weighting method.



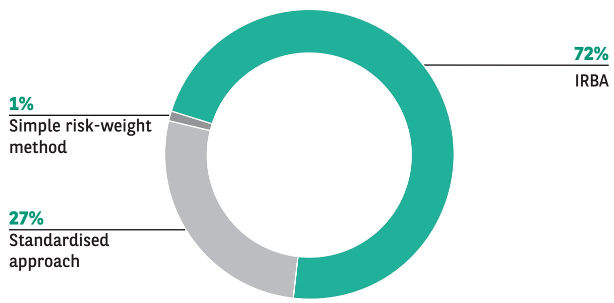
### ➤ FIGURE 6: CREDIT RISK EXPOSURE BY APPROACH [Audited]

At 31 December 2017




Total : EUR 1,508 billion

At 31 December 2016




Total: EUR 1,504 billion

# CREDIT RISK MANAGEMENT POLICY [Audited]

## CREDIT POLICIES

The Bank's lending activities are governed by the Global Credit Policy approved by the Group Executive Committee. It applies to all Group activities that generate credit or counterparty risk. The Global Credit Policy provides general principles (including the risk assessment and decision-making process, compliance and ethics) applicable to all credit risk, as well as specific principles applicable to country risk, economic sector risks, clients selection and the transaction structures. The Global Credit Policy is updated in line with developments in the credit environment in which the Group operates. It was completely overhauled in 2012 to reflect significant changes in the environment. 2014 saw the addition of a clause relative to the corporate social responsibility (CSR) performance of clients and its inclusion in their risk assessment.

It is supplemented by specific policies tailored to each type of business or counterparty. CSR clauses have been included in new specific credit policies or have been added to existing policies as part of the policy update procedure. For sectors exposed to risks related to climate change (physical risks and carbon risks related to the energy transition), the CSR clauses in the relevant credit and rating policies factor in this dimension.

The Group is conducting a number of actions to insert the risks related to climate change, which are likely to impact its clients' risk profile. Exclusion of financing policies for certain sectors presenting significant Environnemental, Social and Gouvernance (ESG) challenges have been implemented. Beyond the sectoral policy system described in the *Commitment 3* section of chapter 7 *A Committed bank*, which applies to segments exposed to these risks, and is part of the existing management system for these risks, in November 2015, the Group announced that it was going to incorporate the climate component into the methods for rating the projects and businesses it finances. The Group is gradually beginning to systematise an internal carbon audit for the highest emitting sectors, including sensitivity of its clients' EBITDA to an internal carbon price, in order to take into account the changes brought about by energy transition and the related risks in its financing decisions.

## INDIVIDUAL DECISION-MAKING PROCEDURES

A system of discretionary lending limits has been established, under which all lending decisions must be approved by managers or representatives of the sales teams, with the approval of a formally designated member of Risk. Approvals are systematically evidenced in writing, either by means of a signed approval form or in the minutes of formal Credit Committee meetings. Discretionary lending limits correspond to aggregate commitments by business group and vary according to internal credit ratings and the specific nature of the business concerned. All transactions proposed are subject to a detailed review of the borrower's current and future position. The review, conducted as soon as the transaction is arranged and updated at least on an annual basis, is designed to ensure the Group has comprehensive information about the borrower and can monitor any potential changes in its situation. Certain types of lending commitments, such as loans to financial institutions, sovereign loans and loans to customers operating in certain industries that are exposed to cyclical risks or to a rapid pace of change, are subject to specific authorisation procedures and require the sign-off of an industry expert or designated specialist. In Retail Banking, simplified procedures are applied, based on statistical decision-making aids.

Loan applications must comply with the Bank's Global Credit Policy and any relevant specific policies. Material exceptions undergo a special approval process. Before making any commitments, BNP Paribas carries out an in-depth review of any known development plans of the borrower, and ensures that it has thorough knowledge of all the structural aspects of the borrower's operations and that adequate monitoring will be possible.

The *Comité de Crédit de Direction Générale* (CCDG) is the highest level Group committee for all decisions related to credit and counterparty risk. It is chaired by a member of Executive Management or, by delegation, a Deputy Chief Operating Officer or the Chief Risk Officer. It has ultimate decision-making authority for all loan applications for amounts in excess of individual discretionary lending limits or applications that would not comply with the Global Credit Policy.

## MONITORING AND PORTFOLIO MANAGEMENT PROCEDURES

### Monitoring exposures

A comprehensive risk monitoring system is organised around control units, which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks accepted by the Bank are effectively monitored. Daily exception reports are produced and various early warning tools are used to identify early the deterioration of credit risks. The various monitoring levels are carried out under the supervision of Risk up to the General Management Doubtful Committee. This committee regularly reviews all exposures in excess of a given threshold, for which it decides on the amount of impairment to be recognised or reversed, based on a recommendation from the business lines and with Risk's approval. In addition, quarterly Doubtful and Watch List Review Committees review files on the watch list and non-performing exposures. Depending on the amount of the commitments, these Review Committee meetings may be held locally, regionally or at head office, and the most important also include representatives of Executive Management.

The responsibilities of the control teams include the monitoring of exposures against approved limits, covenants, and guarantees. This allows the identification of any signs of deterioration against the risk profile approved by the Credit Committee. Control teams flag up (to the Risk teams and business units) any cases that fail to comply with Credit Committee decisions and oversee their resolution. In some cases, a specific alert is sent to the senior management of Risk and of the relevant business unit. These are mainly where exceptions remain unresolved and/or where there are serious indications of deterioration in the risk profile compared with that approved by the Credit Committee.

### Overall portfolio management and monitoring

The selection and careful evaluation of individual exposures are supported by a reporting system based on more aggregated portfolio levels in terms of division/business line, country, industry, business/product.

The overall portfolio management policy, including concentration of risk by single name, industry and country, is based on this reporting system and Group Risk Committees review all reports and analyses produced.

- Risk concentration by country is managed through country risk limits that are set at the appropriate level of delegated authority for each country. The Group, which is naturally present in most economically active areas endeavours to avoid excessive concentrations of risk in countries with weak economic or unstable political structures or which economic position has been undermined. Country envelope limits are reviewed at least once a year, and quarterly reports are drawn up on their utilisation.
- The Group closely monitors individual concentrations, in particular on business groups or sovereign debts. The largest exposures to groups of corporate clients, financial institutions and sovereign debt are reported in the quarterly risk report to the CCIRC. BNP Paribas has also implemented concentration policies on exposures to corporate clients and financial institutions. These policies are described in the *Credit risk diversification* section (section 5.4).
- Regular reviews are carried out of portfolios in certain industries, either because of the magnitude of the Group's exposure to the sector or because of sector-specific risks, such as the cyclical nature of the industry or rapid technological developments. In conducting these reviews, the Group draws on the expertise of the relevant business lines and independent industry specialists working in Risk (Industry and Sector Studies). These reviews provide Executive Management, and if appropriate the CCIRC, with an overview of the Group's exposure to the sector under consideration, and assist it to decide on strategic guidelines. The shipping sector was studied by the ECB in 2017 (see the passage on *Industry Diversification* in this section).

In addition, stress tests are used to identify vulnerable areas of the Group's portfolios and analyse any concentrations.

Lastly, BNP Paribas may use credit risk transfer instruments, such as securitisation programmes, credit derivatives or credit insurance, to hedge individual risks, reduce portfolio concentration or cap potential losses arising from adverse scenarios.

## IMPAIRMENT PROCEDURES

Risk reviews corporate, bank and sovereign loans in default at monthly intervals to determine the amount of any decrease in value to be recognised, either by reducing the carrying amount or by recording a provision for impairment, in accordance with applicable accounting standards (see chapter 4 note 1.c.5 *Impairment and restructuring of financial assets*). They are subject to specific impairments. The amount of the impairment loss is based on the present value of probable net recoveries, including from the possible realisation of collateral.

In addition, a collective impairment is established for each core business on a statistical basis. A committee comprising the division Director, the Group Chief Financial Officer or his representative and the Chief Risk Officer meets quarterly to determine the amount of the collective impairment. This is based on simulations of losses to maturity on portfolios of loans whose credit quality is considered as impaired, but where the customers in question have not been identified as in default. The simulations carried out by Risk use the parameters of the internal rating system described below.

(See chapter 4 note 4.f *Interbank and money-market items and* 4.g *Customer items*).

Impairment methodologies in accordance with IFRS 9 (applicable on 1 January 2018) are described in note 1.a.2 *New major accounting standards, published but not yet applicable*.

## RATING SYSTEM

Each counterparty is rated internally by the Group using uniform principles, regardless of the approach used to calculate regulatory capital requirements.

The Bank has a comprehensive internal rating system compliant with regulatory requirements regarding capital adequacy. A periodic assessment and control process has been deployed within the Bank to ensure that the system is appropriate and correctly implemented. The system was formally validated by the supervisor in December 2007 and is inspected on a regular basis.

For loans to institutions, corporates, sovereigns and specialised lendings, the system is based on three parameters: the counterparty's probability of default (PD) expressed via a rating, the Global Recovery Rate (GRR) or its complement, Loss Given Default (LGD), which depends on the structure of the transaction, and the Credit Conversion Factor (CCF) which estimates the off-balance sheet exposure at risk.

There are twelve counterparty ratings. Ten cover performing clients with credit assessments ranging from "excellent" to "very concerning", and two relate to clients classified as in default, as per the definition by the banking supervisor.

Confirmation or amendments to the rating parameters and GRR applicable to each transaction are reviewed at least once a year as part of the loan approval process or annual credit review, These are based on the combined expertise of business line staff and, as a second look, the Risk representatives (who have the final say in case of disagreement). It uses appropriate tools including analysis aids and credit scoring systems. The decision to use these tools and the choice of technique depends on the nature of the risk.

For Retail counterparties, the system is also based on three parameters: probability of default (PD), the Global Recovery Rate (GRR) and the Credit Conversion Factor (CCF). On the other hand, rating methods are applied automatically to determine the loan parameters.

### TABLE 22: INDICATIVE MAPPING OF INTERNAL COUNTERPARTY RATING WITH AGENCY RATING SCALE AND AVERAGE EXPECTED PD

| | BNP Paribas rating | LT Issuer/ Unsecured issues ratings S&P/Fitch | Average expected PD |
|---|---|---|---|
| Investment grade | 1+ | AAA | 0.01% |
| | 1 | AA+ | 0.01% |
| | 1- | AA | 0.01% |
| | 2+ | AA- | 0.02% |
| | 2 | A+/A | 0.03% |
| | 2- | A- | 0.04% |
| | 3+/3/3- | BBB+ | 0.06% to 0.10% |
| | 4+/4/4- | BBB | 0.13% to 0.21% |
| | 5+/5/5- | BBB- | 0.26% to 0.48% |
| Non investment grade | 6+ | BB+ | 0.69% |
| | 6/6- | BB | 1.00% to 1.46% |
| | 7+/7 | BB- | 2.11% to 3.07% |
| | 7- | B+ | 4.01% |
| | 8+/8/8- | B | 5.23% to 8.06% |
| | 9+/9/9- | B- | 9.53% to 13.32% |
| | 10+ | CCC | 15.75% |
| | 10 | CC | 18.62% |
| | 10- | C | 21.81% |
| Default | 11 | D | 100% |
| | 12 | D | 100% |

The Group has developed an indicative equivalence between the Bank's internal ratings and the long-term issuer ratings assigned by the major rating agencies. However, the Bank has a much broader clientele than just those counterparties rated by an external agency. An indicative equivalence is not relevant in Retail Banking. It is used when the internal ratings are assigned or reviewed in order to identify any differences between the Bank's assessment of a borrower's probability of default and that of one or more of the rating agencies. However, the internal ratings do not aim to reproduce or even approximate the external ratings. There are significant variances in both directions within the portfolio. Some counterparties rated 6 or 7 by BNP Paribas could be considered Investment Grade by the rating agencies.

For further details, see the sections *Internal rating system – sovereigns, financial institutions, corporates and specialised financing* and *Internal rating system specific to retail customers*.

## CREDIT RISK STRESS TESTING

Quantitative models have been developed and are used to connect credit risk and rating migration parameters with macroeconomic and financial variables projected in stress testing scenarios (see section 5.3 *Stress testing*), for historical data as well as the relevant forecast period.

The quality of the methods used is guaranteed by strict governance in terms of the separation of duties and responsibilities, a review of existing systems (models, methodologies, tools) by an independent entity and periodic evaluation of the effectiveness and pertinence of the system as a whole. This governance is based on internal policies and procedures, the supervision of the Credit Risk Stress Testing Committees by business line and the integration of the stress tests within the risk management system.

There is a Group-level credit-risk stress testing policy, approved by the Capital Committee in July 2013. It is used for different types of stress testing (regulatory, periodic and *ad hoc*).

The central stress testing framework is consistent with the appropriate structure as defined in the EBA guidelines for European stress tests:

- it is based on the parameters used to compute capital requirements (regulatory EAD, PD and LGD);
- the expected loss conditional to the economy is used as a measure of the cost of risk resulting from new defaults;
- the stressed cost of risk is supplemented with impacts on collective provisions and provisions on the outstanding non-performing loans;
- the regulatory capital stress testing is performed on the basis of rating migrations, default events, and the stressed regulatory PD used in computation of regulatory capital requirements.

In the case of the stress of risk-weighted assets, the Loss Given Default is not stressed as it is considered as downturn LGD. In that of stress on the cost of risk, the rate of loss (also known as PIT LGD) can be stressed through a link with macroeconomic and financial variables or with default rates.

Stress testing of credit risk is used in the evaluation of the Group's risk appetite, and more specifically during portfolio reviews.

# CREDIT RISK DIVERSIFICATION [Audited]

The Group's gross exposure to credit risk (excluding simple weighting method) stands at EUR 1,494 billion at 31 December 2017, compared with EUR 1,490 billion at 31 December 2016. This portfolio, which is analysed below in terms of its diversification, comprises all exposures to credit risk shown in table 21, excluding equity exposures under the simple weighting method, shown in the section *Credit risk: equities under the simple weighting method*.

These exposure amounts are based on the gross carrying value of the financial assets. They do not include collateral taken by the Group in its normal credit risk management operations (see section *Credit risk mitigation techniques*).

No single counterparty gives rise to an excessive concentration of credit risk, due to the size of the business and the high level industrial and geographical diversification of the client base. The breakdown of credit risks by industry and by region is presented in the tables hereafter.

This risk is mainly assessed through the monitoring of the indicators shown below.

## SINGLE NAME CONCENTRATION

The single name concentration risk of the portfolio is subject to regular monitoring. It is assessed on the basis of the total commitments at client or business group level and is based on two types of monitoring dimensions:

### Monitoring of large exposures

Regulation (EU) No. 575/2013 (article 395) of 26 June 2013 establishes a limit of 25% of the bank's capital for exposure by business group (after exemptions and taking credit risk mitigation techniques into account).

BNP Paribas is well below the concentration thresholds set by this regulation. The exposure (as defined above) of a client or a group of connected clients never exceeds 10% of the Bank's eligible capital.

### Monitoring through individual "single name" concentration policies

The single name concentration risks are part of the Group's concentration policies. They are meant to identify and closely monitor any single business group with an excessive concentration of risk to proactively manage individual concentrations relative to the Group's risk appetite statement.

## BREAKDOWN BY ASSET EXPOSURE CLASS

### ➤ TABLE 23: CREDIT RISK EXPOSURE BY ASSET CLASS AND APPROACH (EU CRB-B) [Audited]

| | Exposures *In millions of euros* | 31 December 2017 | 31 December 2016 Proforma |
|---|---|---|---|
| 1 | Central governments or central banks | 275,600 | 284,817 |
| 2 | Institutions | 46,771 | 51,699 |
| 3 | Corporates | 487,586 | 487,787 |
| *4* | *of which specialised lending* | *46,793* | *51,250* |
| *5* | *of which SMEs* | *37,956* | *38,338* |
| 6 | Retail | 256,551 | 257,669 |
| *7* | *Secured by real estate property* | *160,862* | *153,175* |
| *8* | *SMEs* | *10,774* | *11,150* |
| *9* | *Non-SMEs* | *150,087* | *142,025* |
| *10* | *Qualifying revolving* | *17,760* | *22,352* |
| *11* | *Other retail* | *77,929* | *82,142* |
| *12* | *SMEs* | *30,151* | *30,626* |
| *13* | *Non-SMEs* | *47,779* | *51,515* |
| *14* | Other items | 381 | 352 |
| **15** | **TOTAL IRB APPROACH** | **1,066,890** | **1,082,324** |
| 16 | Central governments or central banks | 32,684 | 33,167 |
| 17 | Regional governments or local authorities | 5,380 | 5,329 |
| 18 | Public sector entities | 16,399 | 16,763 |
| 19 | Multilateral development banks | 1 | 6 |
| 20 | International organisations | 1,493 | 1,165 |
| 21 | Institutions | 14,329 | 12,155 |
| 22 | Corporates | 114,624 | 109,264 |
| *23* | *of which SMEs* | *21,703* | *14,004* |
| 24 | Retail | 121,741 | 103,976 |
| *25* | *of which SMEs* | *28,691* | *29,786* |
| 26 | Exposures secured by mortgages on immovable property | 76,631 | 79,902 |
| *27* | *of which SMEs* | *18,151* | *12,272* |
| 28 | Exposures in default | 13,546 | 14,948 |
| 32 | Exposures in the form of units or shares in collective investment undertakings | 778 | 1,278 |
| 33 | Equity | 1,453 | 1,682 |
| 34 | Other items | 28,025 | 28,091 |
| **35** | **TOTAL STANDARDISED APPROACH** | **427,086** | **407,726** |
| **36** | **TOTAL** | **1,493,975** | **1,490,050** |

## GEOGRAPHIC DIVERSIFICATION

Country risk is the sum of the risks on all exposures to obligors in the country concerned. It is not the same as sovereign risk, which is the sum of all exposures to the central government and its various branches. Country risk reflects the Bank's exposure to a given economic and political environment, which are taken into consideration when assessing counterparty quality.

The geographic breakdown shown below is based on the counterparty's country of residence.

The geographic breakdown of the portfolios is balanced. In 2017, the Group was particularly attentive to geopolitical risks and the economic performance of emerging countries (see section *Areas of special interest in 2017* in section 5.1).

### ➤ TABLE 24: CREDIT RISK EXPOSURE BY GEOGRAPHICAL REGION (EU CRB-C) [Audited]

| Exposure *In millions of euros* | | | | | | | | | Europe(*) |
|---|---|---|---|---|---|---|---|---|---|
| | **Total Europe** | **France** | **Belgium** | **Luxembourg** | **Italy** | **United Kingdom** | **Germany** | **Netherlands** | **Other European countries** |
| Central governments or central banks | **220,469** | 153,234 | 14,624 | 10,886 | 10,213 | 6,986 | 8,952 | 1,358 | 14,215 |
| Institutions | **31,002** | 7,946 | 8,688 | 308 | 3,243 | 3,187 | 1,517 | 1,195 | 4,918 |
| Corporates | **336,911** | 103,819 | 59,306 | 17,195 | 50,147 | 35,990 | 16,840 | 16,932 | 36,683 |
| Retail | **256,151** | 130,585 | 72,420 | 6,236 | 37,061 | 148 | 168 | 59 | 9,473 |
| Other items | **381** | - | 340 | 41 | - | - | 0 | - | - |
| **TOTAL IRB APPROACH** | **844,914** | **395,585** | **155,378** | **34,666** | **100,664** | **46,311** | **27,477** | **19,544** | **65,289** |
| Central governments or central banks | **15,726** | 6,982 | 2,290 | 20 | 1,613 | 5 | 120 | 4 | 4,690 |
| Regional governments or local authorities | **3,361** | 294 | 340 | - | 2,601 | 7 | 21 | 6 | 93 |
| Public sector entities | **3,604** | 463 | 352 | - | 2,757 | 4 | 12 | 2 | 15 |
| Multilateral development banks | **1** | - | - | 0 | 0 | 1 | - | - | - |
| International organisations | **1,493** | - | 147 | 0 | - | - | - | - | 1,346 |
| Institutions | **10,512** | 4,297 | 3,038 | 126 | 545 | 438 | 708 | 813 | 545 |
| Corporates | **59,379** | 20,039 | 1,799 | 1,024 | 8,799 | 3,834 | 4,511 | 1,389 | 17,984 |
| Retail | **85,895** | 18,774 | 2,594 | 5 | 25,918 | 9,821 | 15,579 | 633 | 12,572 |
| Exposures secured by mortgages on immovable property | **37,227** | 10,296 | 1,346 | 0 | 1,549 | 1,831 | 917 | 7,314 | 13,974 |
| Exposures in default | **11,163** | 2,639 | 126 | 9 | 5,278 | 340 | 470 | 37 | 2,265 |
| Exposures in the form of units or shares in collective investment undertakings | **745** | 714 | - | 31 | - | - | - | - | - |
| Equity | **1,453** | 937 | - | 516 | - | - | - | - | - |
| Other items | **25,566** | 11,667 | 2,628 | 723 | 4,532 | 1,635 | 1,567 | 357 | 2,456 |
| **TOTAL STANDARDISED APPROACH** | **256,125** | **77,103** | **14,660** | **2,455** | **53,593** | **17,916** | **23,904** | **10,555** | **55,940** |
| **TOTAL** | **1,101,039** | **472,687** | **170,038** | **37,120** | **154,257** | **64,227** | **51,380** | **30,100** | **121,229** |

(*) *Within the European Free Trade Association, EFTA*

| | | | | | | | | | | | | 31 December 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Asia Pacific | | | | | Rest of the World | | | | | | |
| North America | Total Asia Pacific | Japan | North Asia | South East Asia (ASEAN) | Indian peninsula & Pacific | Total Rest of the World | Turkey | Mediterranean | Gulf States & Africa | Latin America | Other countries | Total |
| **25,527** | **22,990** | 10,839 | 5,143 | 3,263 | 3,744 | **6,615** | 12 | 189 | 2,588 | 1,859 | 1,966 | **275,600** |
| **4,253** | **8,002** | 1,007 | 4,629 | 989 | 1,377 | **3,514** | 949 | 361 | 889 | 1,104 | 210 | **46,771** |
| **75,072** | **43,387** | 3,945 | 14,411 | 11,775 | 13,256 | **32,217** | 2,135 | 283 | 10,464 | 7,930 | 11,405 | **487,586** |
| **77** | **87** | 5 | 25 | 43 | 14 | **237** | 5 | 33 | 66 | 31 | 102 | **256,551** |
| **-** | **-** | - | - | - | - | **-** | - | - | - | - | - | **381** |
| **104,928** | **74,465** | **15,797** | **24,208** | **16,070** | **18,391** | **42,583** | **3,101** | **866** | **14,007** | **10,925** | **13,684** | **1,066,890** |
| **10,376** | **1,015** | 925 | 8 | - | 83 | **5,567** | 3,452 | 1,535 | 324 | 24 | 232 | **32,684** |
| **1,887** | **0** | - | - | - | 0 | **132** | 130 | 0 | 2 | - | - | **5,380** |
| **12,782** | **-** | - | - | - | - | **13** | 12 | 1 | 0 | - | - | **16,399** |
| **-** | **-** | - | - | - | - | **-** | - | - | - | - | - | **1** |
| **-** | **-** | - | - | - | - | **-** | - | - | - | - | - | **1,493** |
| **1,026** | **1,034** | 34 | 325 | 94 | 582 | **1,758** | 836 | 244 | 88 | 324 | 266 | **14,329** |
| **31,465** | **8,125** | 26 | 6,011 | 1,754 | 334 | **15,655** | 7,654 | 5,361 | 1,395 | 477 | 768 | **114,624** |
| **19,937** | **860** | 3 | 261 | 2 | 595 | **15,050** | 7,986 | 1,240 | 1,473 | 3,854 | 496 | **121,741** |
| **31,767** | **430** | 44 | 309 | 77 | 0 | **7,207** | 5,623 | 1,463 | 78 | - | 43 | **76,631** |
| **266** | **57** | 0 | 0 | 30 | 27 | **2,060** | 500 | 786 | 258 | 124 | 392 | **13,546** |
| **28** | **-** | - | - | - | - | **6** | - | - | - | 6 | - | **778** |
| **-** | **-** | - | - | - | - | **-** | - | - | - | - | - | **1,453** |
| **873** | **184** | 7 | 118 | 6 | 54 | **1,401** | 454 | 343 | 173 | 311 | 121 | **28,025** |
| **110,406** | **11,706** | **1,038** | **7,031** | **1,964** | **1,674** | **48,848** | **26,649** | **10,973** | **3,790** | **5,120** | **2,317** | **427,086** |
| **215,335** | **86,171** | **16,835** | **31,239** | **18,033** | **20,065** | **91,431** | **29,749** | **11,839** | **17,797** | **16,045** | **16,000** | **1,493,975** |

| Exposure *In millions of euros* | Europe[*] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Total Europe** | **France** | **Belgium** | **Luxembourg** | **Italy** | **United Kingdom** | **Germany** | **Netherlands** | **Other European countries** |
| Central governments or central banks | **215,206** | 105,046 | 24,282 | 17,943 | 15,500 | 7,671 | 11,853 | 14,042 | 18,868 |
| Institutions | **31,700** | 9,379 | 7,701 | 613 | 1,639 | 2,854 | 2,647 | 1,476 | 5,391 |
| Corporates | **329,899** | 99,177 | 57,059 | 15,788 | 47,470 | 34,994 | 16,711 | 19,459 | 39,241 |
| Retail | **257,255** | 122,535 | 71,735 | 5,587 | 38,335 | 114 | 10,396 | 58 | 8,496 |
| Other items | **352** | - | 313 | 38 | | | - | | |
| **TOTAL IRB APPROACH** | **834,412** | **336,137** | **161,090** | **39,970** | **102,944** | **45,634** | **41,607** | **35,035** | **71,996** |
| Central governments or central banks | **17,251** | 7,629 | 2,921 | 12 | 1,712 | 17 | 598 | 7 | 4,356 |
| Regional governments or local authorities | **2,949** | 168 | 381 | - | 2,278 | 9 | 24 | 7 | 81 |
| Public sector entities | **2,724** | 376 | 359 | - | 1,934 | 5 | 20 | 2 | 26 |
| Multilateral development banks | **6** | 1 | | 5 | - | - | | | |
| International organisations | **1,165** | | - | - | | | | | 1,165 |
| Institutions | **9,126** | 3,357 | 2,991 | 77 | 627 | 123 | 236 | 646 | 1,069 |
| Corporates | **51,497** | 22,312 | 1,409 | 516 | 8,849 | 2,182 | 1,718 | 786 | 13,725 |
| Retail | **62,535** | 19,255 | 1,888 | 1 | 22,270 | 6,251 | 5,507 | 1,065 | 6,298 |
| Exposures secured by mortgages on immovable property | **40,831** | 11,418 | 459 | - | 1,683 | 1,813 | 784 | 8,184 | 16,490 |
| Exposures in default | **12,168** | 2,861 | 244 | 8 | 6,045 | 391 | 232 | 46 | 2,340 |
| Exposures in the form of units or shares in collective investment undertakings | **1,273** | 1,266 | | 7 | | | | | |
| Equity | **1,682** | 1,017 | | 639 | 26 | | | | |
| Other items | **25,313** | 12,768 | 2,481 | 640 | 4,206 | 1,763 | 1,045 | 311 | 2,099 |
| **TOTAL STANDARDISED APPROACH** | **228,519** | **82,427** | **13,133** | **1,905** | **49,632** | **12,556** | **10,164** | **11,054** | **47,648** |
| **TOTAL** | **1,062,931** | **418,565** | **174,222** | **41,875** | **152,576** | **58,190** | **51,771** | **46,088** | **119,644** |

(*) *Within the European Free Trade Association, EFTA*

| | | | | | | | | | | | | | 31 December 2016 Proforma |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Asia Pacific | | | | | Rest of the World | | | | | | |
| | North America | Total Asia Pacific | Japan | North Asia | South East Asia (ASEAN) | Indian peninsula & Pacific | Total Rest of the World | Turkey | Mediterranean | Gulf States & Africa | Latin America | Other countries | Total |
| | 18,610 | 43,649 | 30,363 | 5,674 | 3,180 | 4,432 | 7,352 | 27 | 240 | 2,239 | 2,799 | 2,048 | 284,817 |
| | 5,840 | 9,247 | 1,237 | 4,778 | 1,215 | 2,017 | 4,912 | 1,100 | 931 | 1,586 | 925 | 370 | 51,699 |
| | 80,004 | 42,622 | 3,665 | 13,917 | 11,755 | 13,285 | 35,262 | 2,600 | 293 | 11,113 | 9,153 | 12,103 | 487,787 |
| | 67 | 91 | 4 | 43 | 32 | 12 | 256 | 5 | 24 | 67 | 36 | 123 | 257,669 |
| | | | | | | | | | | | | | 352 |
| | **104,522** | **95,609** | **35,269** | **24,412** | **16,181** | **19,746** | **47,782** | **3,732** | **1,487** | **15,005** | **12,914** | **14,644** | **1,082,324** |
| | 8,913 | 1,018 | 984 | 9 | - | 25 | 5,984 | 4,213 | 1,473 | 242 | 9 | 47 | 33,167 |
| | 2,256 | - | | - | | - | 124 | 119 | 1 | 5 | - | - | 5,329 |
| | 14,037 | - | - | | | | 2 | 1 | - | - | | - | 16,763 |
| | - | - | | | - | | - | | | - | | | 6 |
| | | | | | | | | | | | | | 1,165 |
| | 1,066 | 626 | 15 | 386 | 12 | 214 | 1,338 | 590 | 249 | 118 | 216 | 165 | 12,155 |
| | 35,358 | 6,250 | 24 | 4,223 | 1,867 | 136 | 16,158 | 7,196 | 6,285 | 1,699 | 263 | 714 | 109,264 |
| | 26,265 | 92 | 1 | 1 | 73 | 17 | 15,085 | 8,337 | 1,166 | 1,352 | 3,780 | 450 | 103,976 |
| | 29,287 | 371 | 4 | 267 | 99 | - | 9,414 | 7,732 | 1,553 | 55 | - | 73 | 79,902 |
| | 221 | 33 | - | - | 30 | 2 | 2,527 | 559 | 840 | 212 | 132 | 784 | 14,948 |
| | | | | | | | 6 | | | | 6 | | 1,278 |
| | | | | | | | | | | | | | 1,682 |
| | 1,023 | 260 | 9 | 165 | 37 | 49 | 1,495 | 576 | 338 | 151 | 316 | 114 | 28,091 |
| | **118,426** | **8,649** | **1,037** | **5,051** | **2,118** | **442** | **52,132** | **29,323** | **11,904** | **3,834** | **4,723** | **2,348** | **407,726** |
| | **222,947** | **104,258** | **36,307** | **29,464** | **18,300** | **20,188** | **99,914** | **33,055** | **13,391** | **18,840** | **17,637** | **16,991** | **1,490,050** |

## INDUSTRY DIVERSIFICATION

### ➤ TABLE 25: CREDIT RISK EXPOSURE BY INDUSTRY (EU CRB-D) [Audited]

| *In millions of euros* | Agriculture, Food, Tobacco | Insurance | Chemicals excluding Pharmaceuticals | Building & Public works | Retail Trade | Energy excluding Electricity | Equipment excluding IT Electronic | Finance | Real Estate |
|---|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | - | 45 | - | - | - | - | - | 200,461 | 230 |
| Institutions | 60 | 89 | - | 55 | 247 | - | 56 | 37,887 | 77 |
| Corporates | 24,238 | 10,536 | 13,618 | 23,433 | 22,944 | 24,548 | 31,306 | 34,521 | 52,881 |
| Retail | 893 | 64 | 58 | 2,523 | 4,624 | 4 | 681 | 1,285 | 16,151 |
| Other items | 15 | 0 | 1 | 34 | 23 | 0 | 9 | 6 | 38 |
| **TOTAL IRB APPROACH** | **25,206** | **10,735** | **13,678** | **26,045** | **27,838** | **24,552** | **32,053** | **274,160** | **69,377** |
| Central governments or central banks | 1 | - | - | - | - | - | - | 13,466 | - |
| Regional governments or local authorities | 3 | - | - | - | 1 | - | - | - | 0 |
| Public sector entities | 6 | 20 | - | 1 | - | - | - | 3,355 | 1 |
| Multilateral development banks | - | - | - | - | - | - | - | 1 | - |
| International organisations | - | - | - | - | - | - | - | 0 | - |
| Institutions | 3 | - | - | - | - | - | - | 14,148 | - |
| Corporates | 10,671 | 986 | 1,445 | 4,051 | 8,697 | 839 | 6,594 | 3,672 | 6,172 |
| Retail | 7,932 | 13 | 13 | 1,195 | 683 | 12 | 407 | 140 | 709 |
| Exposures secured by mortgages on immovable property | 3,331 | 57 | 119 | 805 | 1,707 | 12 | 591 | 153 | 12,055 |
| Exposures in default | 830 | 2 | 48 | 804 | 423 | 86 | 538 | 54 | 890 |
| Exposures in the form of units or shares in collective investment undertakings | - | - | - | - | - | - | - | 779 | - |
| Equity | - | - | - | - | - | - | - | - | - |
| Other items | 164 | 2 | 3 | 217 | 29 | 18 | 2,210 | 5,066 | 463 |
| **TOTAL STANDARDISED APPROACH** | **22,942** | **1,080** | **1,627** | **7,073** | **11,539** | **968** | **10,339** | **40,835** | **20,289** |
| **TOTAL** | **48,148** | **11,815** | **15,305** | **33,118** | **39,377** | **25,519** | **42,391** | **314,996** | **89,666** |

*(*) Including cement, packaging, etc.*
*(**) Electricity, gas, water, etc.*

| | | | | | | | | | | | | 31 December 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Information Technologies | Minerals, Metals & Materials (*) | Wholesale Trade | Private Individual | Healthcare & Pharmaceuticals | Services to Public Authorities (**) | Business Services | Communication Services | Sovereign | Transportation & Storage | Others | Total |
| | - | - | - | - | 21 | 21 | 7 | - | 74,786 | - | 29 | **275,600** |
| | 0 | 0 | 5 | - | 903 | 1,918 | 103 | - | 3,741 | 93 | 1,537 | **46,771** |
| | 15,974 | 22,225 | 36,275 | 1,623 | 13,088 | 30,602 | 41,528 | 14,349 | 219 | 38,267 | 35,411 | **487,586** |
| | 223 | 347 | 1,151 | 214,536 | 2,102 | 62 | 9,058 | 26 | - | 389 | 2,372 | **256,551** |
| | 2 | 11 | 30 | 82 | 6 | 9 | 28 | 0 | 0 | 69 | 19 | **381** |
| | **16,198** | **22,584** | **37,461** | **216,241** | **16,120** | **32,612** | **50,724** | **14,375** | **78,745** | **38,818** | **39,369** | **1,066,890** |
| | - | - | - | 6 | - | - | 31 | - | 19,180 | - | 0 | **32,684** |
| | - | - | - | - | 11 | - | 0 | - | 5,307 | 22 | 36 | **5,380** |
| | 3 | - | - | 2 | 2,026 | 46 | 21 | - | 9,989 | 39 | 891 | **16,399** |
| | - | - | - | - | - | - | - | - | - | - | 0 | **1** |
| | - | - | - | - | - | - | - | - | 1,493 | - | - | **1,493** |
| | - | - | - | 85 | - | - | 93 | - | - | - | - | **14,329** |
| | 2,986 | 4,951 | 13,577 | 14,343 | 2,663 | 3,235 | 12,332 | 1,738 | 45 | 5,424 | 10,203 | **114,624** |
| | 83 | 188 | 4,177 | 99,545 | 947 | 50 | 2,562 | 15 | 0 | 1,171 | 1,899 | **121,741** |
| | 193 | 597 | 4,848 | 46,218 | 960 | 96 | 1,227 | 6 | - | 478 | 3,178 | **76,631** |
| | 94 | 495 | 1,157 | 6,339 | 70 | 60 | 559 | 31 | 49 | 216 | 801 | **13,546** |
| | - | - | - | - | - | - | 0 | - | - | - | - | **778** |
| | - | - | - | - | - | - | 4 | - | - | - | 1,450 | **1,453** |
| | 2 | 36 | 894 | 5,770 | 82 | 1,249 | 4,681 | 62 | 2,500 | 404 | 4,173 | **28,025** |
| | **3,360** | **6,268** | **24,654** | **172,306** | **6,759** | **4,735** | **21,509** | **1,853** | **38,564** | **7,754** | **22,631** | **427,086** |
| | **19,558** | **28,851** | **62,115** | **388,547** | **22,879** | **37,347** | **72,232** | **16,228** | **117,309** | **46,572** | **62,000** | **1,493,975** |

| Exposures *In millions of euros* | Agriculture, Food, Tobacco | Insurance | Chemicals excluding Pharmaceuticals | Building & Public works | Retail Trade | Energy excluding Electricity | Equipment excluding IT Electronic | Finance | Real Estate |
|---|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | - | 96 | - | 73 | - | - | - | 188,152 | 12 |
| Institutions | - | 168 | - | 28 | 220 | - | - | 42,791 | 26 |
| Corporates | 23,552 | 11,404 | 13,947 | 23,965 | 20,309 | 29,159 | 31,430 | 34,501 | 47,211 |
| Retail | 974 | 21 | 78 | 2,984 | 4,581 | 4 | 831 | 485 | 15,984 |
| Other items | 7 | 0 | - | 31 | 18 | 0 | 10 | 3 | 54 |
| **TOTAL IRB APPROACH** | **24,533** | **11,689** | **14,026** | **27,081** | **25,129** | **29,163** | **32,271** | **265,933** | **63,288** |
| Central governments or central banks | - | - | - | - | - | - | - | 11,562 | - |
| Regional governments or local authorities | 1 | - | - | - | 0 | - | - | - | - |
| Public sector entities | 4 | 49 | - | 1 | - | - | - | 14,243 | - |
| Multilateral development banks | - | - | - | - | - | - | - | 5 | - |
| International organisations | - | - | - | - | - | - | - | 0 | - |
| Institutions | 3 | - | - | - | - | - | - | 11,993 | - |
| Corporates | 9,684 | 957 | 1,130 | 3,943 | 7,170 | 1,158 | 7,815 | 3,812 | 7,211 |
| Retail | 6,732 | 27 | 14 | 1,198 | 988 | 17 | 426 | 493 | 1,425 |
| Exposures secured by mortgages on immovable property | 3,794 | 35 | 158 | 632 | 1,456 | 7 | 520 | 84 | 12,229 |
| Exposures un default | 845 | 4 | 58 | 853 | 473 | 87 | 591 | 240 | 1,000 |
| Exposures in the form of units or shares in collective investment undertakings | - | - | - | - | - | - | - | 1,278 | - |
| Equity | - | - | - | - | - | - | - | - | - |
| Other items | 229 | 2,257 | 7 | 35 | 28 | 39 | 137 | 4,187 | 607 |
| **TOTAL STANDARDISED APPROACH** | **21,292** | **3,330** | **1,367** | **6,662** | **10,116** | **1,307** | **9,488** | **47,898** | **22,472** |
| **TOTAL** | **45,825** | **15,019** | **15,393** | **33,743** | **35,245** | **30,470** | **41,759** | **313,831** | **85,759** |

*(*) Including cement, packaging, etc.*
*(**) Electricity, gas, water, etc.*

| | | | | | | | | | | | | 31 December 2016 Proforma |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Information Technologies | Minerals, Metals & Materials (*) | Wholesale trade | Private Individual | Healthcare & Pharmaceuticals | Services to Public Authorities (**) | Business Services | Communication Services | Sovereign | Transportation & Storage | Others | Total |
| | - | - | - | 106 | 26 | 173 | - | 96,138 | - | 41 | **284,817** |
| 0 | 3 | 12 | - | 922 | 1,888 | 211 | 131 | 3,857 | 71 | 1,371 | **51,699** |
| 15,004 | 24,930 | 36,944 | 2,420 | 12,958 | 30,641 | 38,447 | 14,975 | 763 | 39,392 | 35,836 | **487,787** |
| 229 | 427 | 1,656 | 215,553 | 1,513 | 67 | 9,827 | 21 | - | 373 | 2,060 | **257,699** |
| 1 | 7 | 26 | 72 | 5 | 9 | 23 | 0 | 0 | 64 | 20 | **352** |
| **15,235** | **25,367** | **38,638** | **218,044** | **15,505** | **32,631** | **48,682** | **15,126** | **100,757** | **39,900** | **39,328** | **1,082,324** |
| - | - | - | 6 | - | - | 1 | - | 21,597 | - | 0 | **33,167** |
| - | - | - | - | 0 | - | 0 | - | 5,328 | 0 | 0 | **5,329** |
| 1 | - | - | - | 1,057 | 10 | 0 | 10 | 352 | 45 | 993 | **16,763** |
| - | - | 0 | 1 | - | - | - | - | 0 | 0 | 0 | **6** |
| - | - | - | - | - | - | - | - | 1,165 | - | 0 | **1,165** |
| - | - | - | 79 | - | - | 80 | - | - | - | 0 | **12,155** |
| 2,388 | 4,106 | 10,638 | 13,208 | 2,114 | 3,092 | 15,712 | 2,358 | 294 | 4,306 | 8,165 | **109,264** |
| 87 | 166 | 5,525 | 81,543 | 854 | 31 | 2,766 | 19 | 1 | 1,047 | 615 | **103,976** |
| 87 | 518 | 4,567 | 51,149 | 675 | 97 | 876 | 5 | - | 581 | 2,433 | **79,902** |
| 106 | 559 | 1,295 | 6,676 | 131 | 97 | 722 | 36 | 55 | 207 | 914 | **14,948** |
| - | - | - | - | - | - | - | - | - | - | - | **1,278** |
| - | - | - | - | - | - | 6 | - | - | - | 1,676 | **1,682** |
| 19 | 19 | 754 | 4,510 | 76 | 83 | 7,037 | 69 | 3,205 | 351 | 4,443 | **28,091** |
| 2,688 | **5,369** | **22,779** | **157,172** | **4,906** | **3,411** | **27,200** | **2,497** | **31,997** | **6,536** | **19,238** | **407,726** |
| 17,923 | **30,735** | **61,417** | **375,216** | **20,411** | **36,042** | **75,882** | **17,623** | **132,754** | **46,437** | **58,566** | **1,490,050** |

Industry risks are monitored in terms of gross exposure and RWAs. The Group remains diversified. No sector makes up more than 10% of total corporate lending or more than 4% of total lending in 2017. The most sensitive sectors are regularly reviewed in dedicated committees:

- Monitoring of energy and commodity sectors:

  After the exhaustive internal portfolio review conducted within the Group in 2016, which confirmed the good quality and diversification of the portfolios, the sectors affected by oil and commodity prices have continued to be regularly monitored in 2017 amid increases in oil prices;

- Shipping sector:

  The Shipping sector covers a set of sub-segments with very different dynamics: bulk, oil tankers, container carriers, oil services, and cruise. In 2017, against the backdrop of low oil prices and the first signs of an upturn in maritime traffic, the oil services sub-sector continued to be affected, while three of the sub-sectors (bulk, containers and cruise ships) saw favourable development.

  Shipping gross exposure stood at EUR 16.4 billion as at 31 December 2017, i.e. nearly 1% of the Group's outstanding loans both on and off-balance sheet. This exposure is carried in particular by CIB (88%) and Domestic Markets (10%) with a high client diversification by country. Doubtful loans represent 5% of Group exposure to the Shipping sector.

## RISK-WEIGHTED ASSETS

### ➤ TABLE 26: CREDIT RISK-WEIGHTED ASSETS

| RWAs *In millions of euros* | 31 December 2017 | 31 December 2016 Proforma | Variation |
|---|---|---|---|
| **IRBA approach** | **251,101** | **238,693** | **12,408** |
| Central governments and central banks | 3,111 | 4,581 | (1,470) |
| Corporates | 180,225 | 171,436 | 8,789 |
| Institutions | 8,231 | 9,182 | (950) |
| Retail | 59,378 | 53,341 | 6,037 |
| Other items | 156 | 153 | 2 |
| **Standardised approach** | **217,601** | **210,564** | **7,037** |
| Central governments or central banks | 5,760 | 6,107 | (347) |
| Regional governments or local authorities | 675 | 630 | 45 |
| Public sector entities | 2,003 | 1,533 | 470 |
| Multilateral development banks | 0 | - | 0 |
| International organisations | - | - | - |
| Institutions | 6,717 | 5,358 | 1,359 |
| Corporates | 81,315 | 80,898 | 417 |
| Retail | 64,860 | 55,820 | 9,040 |
| Exposures secured by mortgages on immovable property | 29,254 | 31,979 | (2,725) |
| Exposures in default | 5,676 | 6,659 | (983) |
| Exposures in the form of units or shares in collective investment undertakings | 188 | 284 | (96) |
| Equity | 290 | 335 | (45) |
| Other items | 20,862 | 20,960 | (98) |
| **Equity positions under the simple risk-weighted approach** | **43,998** | **45,175** | **(1,177)** |
| Private equity exposures in diversified portfolios | 3,627 | 4,157 | (530) |
| Listed equity exposures | 5,445 | 6,709 | (1,264) |
| Other equity exposures | 34,926 | 34,309 | 617 |
| **CREDIT RISK** | **512,700** | **494,433** | **18,267** |

### ➤ TABLE 27: CREDIT RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER (EU CR8)

| *In millions of euros* | RWAs – Credit risk | | Capital Requirements – Credit risk | |
|---|---|---|---|---|
| | a | | b | |
| | Total | of which Advanced IRB Approach | Total | of which Advanced IRB Approach |
| **31 December 2016** | **494,433** | **238,693** | **39,555** | **19,095** |
| Asset size | 31,193 | 21,041 | 2,495 | 1,683 |
| Asset quality | (16,294) | (8,086) | (1,304) | (647) |
| Model update | 8,405 | 8,447 | 672 | 676 |
| Methodology and policy | 4,563 | 450 | 365 | 36 |
| Acquisitons and disposals | 9,635 | (1,958) | 771 | (157) |
| Currency | (19,574) | (7,688) | (1,566) | (615) |
| Others | 339 | 202 | 27 | 16 |
| **31 DECEMBER 2017** | **512,700** | **251,101** | **41,016** | **20,088** |

Credit risk-weighted assets increased by EUR 18 billion in 2017, primarily as a result of the following:

- an increase of EUR 31 billion in line with business activity, including an increase of EUR 13 billion in Domestic Markets, EUR 9 billion in International Financial Services and EUR 8 billion in CIB;
- a reduction of EUR 20 billion in respect of currency effects, in particular with the depreciation in the US dollar and the Turkish lira;
- downward asset-quality impact of EUR 16 billion, with improvement in risk parameters primarily in French Retail Banking and International Retail Banking;
- an increase of EUR 8 billion relating to the update of models;
- changes in methodology with a net upward impact of EUR 5 billion;
- an increase of EUR 10 billion relating to changes in scope, mainly as a result of the acquisition, in conjunction with PSA, of the financing activities of General Motors Europe.



## CREDIT RISK: INTERNAL RATINGS BASED APPROACH (IRBA)

The internal rating system developed by the Group covers the entire Bank. The IRBA framework, validated in December 2007, covers the portfolio described in *Approaches used to calculate capital requirements* in the section entitled *Exposure to credit risk*.

The Bank uses a range of different methods, some of which are purely quantitative, to determine Loss Given Default. Loss Given Default is determined either using purely statistical models for portfolios with the highest degree of granularity (loans to individuals or to very small enterprises) or a combination of models and expert judgement based on indicative values in a process similar to that used to determine the counterparty rating for other portfolios. Loss Given Default is defined as the loss that the Bank would suffer in the event of the counterparty's default in times of economic downturn, as required by regulations. For each transaction, it is measured using the recovery rate for a senior unsecured exposure to the counterparty, adjusted for any risk mitigation techniques (collaterals or guarantees for instance). Amounts recoverable against these mitigants are estimated each year using conservative assumptions as well as haircuts calibrated to reflect economic downturn conditions.

The Bank models its own conversion factors on financing commitments by using internal default data. Conversion factors are used to measure the off-balance sheet exposure at risk in the event of a default. This parameter is assigned automatically depending on the transaction type for all portfolios and therefore, is not determined by the Credit Committees.

The Group has developed specific internal models adapted for the most common categories of exposure and clients in its loan portfolio. BNP Paribas bases these developments on internal data gathered over long periods. Each of these models is developed and maintained by a specialist team, in conjunction with relevant Risk and business line experts. Moreover, verification is performed to ensure compliance with the floors set by the regulation on these models. The Bank does not use models developed by external suppliers.

The breakdown of the main models used by the Group, their characteristics and main exposures covered are presented below.

### TABLE 28: MAIN MODELS: PD, LGD AND CCF/EAD

| Modelled parameter | Portfolio | Number of models | Model and methodology | Number of years default/loss data | Main asset class |
|---|---|---|---|---|---|
| PD | | | | | |
| | Sovereign | 1 | Qualitative | > 10 years | Central banks and central governments |
| | Banks | 1 | Quantitative + expert opinion | > 10 years | Institutions |
| | Insurance | 1 | Quantitative + expert opinion | > 10 years | Corporate - other |
| | Regulated funds & Agency arrangements | 1 | Qualitative | > 10 years | Corporate - other |
| | Large corporate | 2 | Quantitative + expert opinion | > 10 years | Corporate - other |
| | Real estate professionals in France | 1 | Qualitative | > 10 years | Corporate - other |
| | Project financing | 1 | Qualitative | > 10 years | Corporate - specialised lending |
| | Energy & Commodities transactional financing | 1 | Quantitative + expert opinion | > 10 years | Corporate - specialised lending |
| | General Non-Retail Rating Policy | 1 | Qualitative | > 10 years | Corporate - other |
| | Retail Banking in France - SME Corporate | 1 | Quantitative + expert opinion | > 10 years | Corporate - SME |
| | Retail Banking in France - Professionals & Entrepreneurs | 10 | Quantitative | > 10 years | Retail - other SMEs |
| | Retail Banking in France - Private customers -Individual & Professional customers (private life) | 8 | Quantitative | > 10 years | Retail: other SMEs/ revolving exposures/ non-SME exposures secured by mortgages on immovable property |
| | Personal Finance - France | 1 | Quantitative | > 10 years | Retail - other non-SMEs |
| | Retail Banking in Belgium - SME | 2 | Quantitative + expert opinion | 10 years | Corporate - other/ Retail - SME exposures secured by mortgages on immovable property |
| | Retail Banking in Belgium - Professionals | 8 | Quantitative | 10 years | Retail - other SMEs/ Retail - non-SME exposures secured by mortgages on immovable property |
| | Retail Banking in Belgium - Individual customers | 3 | Quantitative | 10 years | Retail - non-SME exposures secured by mortgages on immovable property |
| | Banca Nazionale del Lavoro - Small Corporate | 2 | Quantitative - Logistic regression | 6 years | Corporate - SME |
| | Banca Nazionale del Lavoro - Retail Individual Customers | 7 | Quantitative - Logistic regression | 8 years | Retail - other non-SMEs |

| Modelled parameter | Portfolio | Number of models | Model and methodology | Number of years default/loss data | Main asset class |
|---|---|---|---|---|---|
| LGD | Sovereign | 1 | Qualitative | > 10 years | Central banks and central governments |
| | Banks | 1 | Quantitative - Calibrated on internal observations | > 10 years | Institutions |
| | Insurance | 1 | Qualitative | > 10 years | Corporate - other |
| | Regulated funds & Agency arrangements | 1 | Qualitative | > 10 years | Corporate - other |
| | Large corporate | 2 | Quantitative - Calibrated on internal observations | > 10 years | Corporate - other |
| | Real estate professionals in France | 1 | Qualitative - Discounted asset values | > 10 years | Corporate - other |
| | Project financing | 1 | Quantitative - Calibrated on internal observations | > 10 years | Corporate - specialised lending |
| | Energy & Commodities transactional financing | 1 | Quantitative - Calibrated on internal observations | > 10 years | Corporate - specialised lending |
| | General Non-Retail Rating Policy | 1 | Qualitative | > 10 years | Corporate - other |
| | Retail Banking in France - SME Corporate | 1 | Quantitative - Calibrated on internal observations | > 10 years | Corporate - SME |
| | Retail Banking in France - Professionals & Entrepreneurs | 5 | Quantitative - Calibrated on internal observations | > 10 years | Retail - other SMEs |
| | Retail Banking in France - Private customers -Individual & Professional customers (private life) | 8 | Quantitative - Calibrated on internal observations | > 10 years | Retail:<br>other SMEs/<br>Revolving exposures/<br>non-SME exposures secured by mortgages on immovable property |
| | Personal Finance - France | 1 | Quantitative - Calibrated on internal observations | > 10 years | Retail - other non-SMEs |
| | Retail Banking in Belgium - Professionals & SME | 1 | Quantitative - Calibrated on internal observations | 10 years | Retail - other SMEs/<br>Retail - non-SME exposures secured by mortgages on immovable property |
| | Retail Banking in Belgium - Individual customers | 2 | Quantitative - Calibrated on internal observations | 10 years | Retail - non-SME exposures secured by mortgages on immovable property |
| | Banca Nazionale del Lavoro - Small Corporate | 1 | Quantitative - Calibrated on internal observations | >10 years | Corporate - SME |
| | Banca Nazionale del Lavoro - Retail Individual Customers | 1 | Quantitative - Calibrated on internal observations | 9 years | Retail - other non-SMEs |

| Modelled parameter | Portfolio | Number of models | Model and methodology | Number of years default/loss data | Main asset class |
|---|---|---|---|---|---|
| CCF/EAD | | | | | |
| | CCF for corporate, banks & sovereign | 1 | Quantitative - Calibrated on internal observations | > 10 years | Central banks and central governments/ Institutions/ Corporate |
| | Retail Banking in France - Retail | 4 | Quantitative - Calibrated on internal observations | 7 years | Retail |
| | Personal Finance - France | 1 | Quantitative - Calibrated on internal observations | > 10 years | Retail |
| | Retail Banking in Belgium - Professionals & SME | 1 | Quantitative - Calibrated on internal observations | 10 years | Retail |
| | Retail Banking in Belgium - Individual customers | 2 | Quantitative - Calibrated on internal observations | 10 years | Retail |
| | Banca Nazionale del Lavoro - Retail Individual Customers | 1 | CCF = 100% | - | Retail |

## BACKTESTING

Each of the three credit risk parameters (PD, LGD, CCF/EAD) are backtested and probability of default benchmarked annually to check the system's performance for each of the Bank's business segments. Backtesting consists in comparing estimated and actual outcomes for each parameter. Benchmarking consists in comparing the parameters estimated internally with those of external organisations.

For the non-Retail IRBA scope, all ratings, including default ratings 11 and 12, for all counterparties to which the Bank has a credit risk exposure, have been recorded over a long period of time. Likewise, observed Global Recovery Rates on defaulted exposures during this period are also archived. Backtesting is performed on the basis of this information for each of the risk inputs, both globally and across the scope of each rating model. These exercises aim to measure overall performance and the performance of each rating method, and in particular, to verify the model's discriminatory power (*i.e.* the less well rated counterparties ought to default more often than the better rated ones) as well as the predictive, conservative nature of the parameters. For this purpose, observed Global Recovery Rates (GRR) and default rates are compared with estimated Global Recovery Rates and Probability of default for each rating. The "through the cycle" or "downturn" nature of these ratings and GRRs is also verified.

For benchmarking work on non-Retail exposures, internal ratings are compared with the external ratings of several agencies based on the mapping between internal and external rating scales. Around 10% of the Group's corporate clients have an external rating and the benchmarking studies reveal a conservative approach to internal ratings.

Performance measurements are also carried out on sub-scopes of homogeneous asset classes for Retail portfolios. If the predictive power or the conservative nature of a model has deteriorated, the model is recalibrated or redeveloped as appropriate. These changes are submitted to the regulator for approval in line with the regulations. Pending implementation of the new model, the bank takes conservative measures to enhance the conservatism of the existing model where necessary.

Backtesting of Global Recovery Rates is based mainly on analysing recovery cash flows for exposures in default. When the recovery process is closed for a given exposure, all recovered amounts are discounted back to the default date and then compared to the exposure amount. When the recovery process is not closed, the future recoveries are estimated by using either the amount of provisions, or historically calibrated statistical profiles. The recovery rate determined in this way is then compared with the initially forecasted rate one year before the default occurred. As with ratings, recovery rates are analysed on an overall basis and by rating policy and geographical area. Variances are analysed taking into account the marked bimodal distribution of recovery rates.

All of this work is reviewed annually in the Capital Committee (see section 5.2 under *Capital management*). Backtesting is also certified internally by an independent team and the results sent to the supervisor.

Internal estimates of risk parameters are used in the Bank's day-to-day management in line with regulation recommendations. Thus apart from calculating capital requirements, they are used for example when setting delegated limits, granting new loans or reviewing existing loans to measure profitability, determine collective impairment and for book analyses.

The table below presents an overview of the performance of models for the regulatory risk parameters (PD and LGD). The average regulatory parameters as at end-2016 are compared against empirical realised default rate and loss rate for new defaults during 2017. The comparison is performed on the Group IRBA scope.

The default rate is estimated as the amount of outstandings in default during the year divided by the performing EAD at the beginning of the year.

The loss rate is the gross amount of provisions constituted at year end for the loans that defaulted during the year divided by the exposure at the time of default.

The average regulatory PD is weighted by the performing EAD. The average regulatory LGD is weighted by the product of performing EAD and regulatory PD.

This table provides an overall performance assessment but is different from the model backtesting exercise performed by the Group on a yearly basis, which is performed model by model and not globally by asset class. As well, backtesting is based on default rates expressed as number of counterparties and not amounts and compares LGD on defaulted names against final loss, while the comparison performed below is between the weighted average regulatory LGD of performing exposures and the provision rate on new defaulted exposures.

### TABLE 29: BACKTESTING OF AVERAGE PD AND LGD

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Performing EAD at the beginning of the period *(in millions of euros)* | Average regulatory PD | Observed Default Rate | Average regulatory LGD | Observed LGD |
| Central banks and central governments | 283,431 | 0.1% | 0.0% | 13% | 0% |
| Institutions (*) | 40,878 | 0.3% | 0.0% | 35% | 0% |
| Corporates | 345,888 | 1.2% | 0.6% | 28% | 28% |
| Retail | 236,823 | 1.8% | 1.3% | 28% | 24% |

*(*) Excluding subordinated debt instruments.*

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Performing EAD at the beginning of the period *(in millions of euros)* | Average regulatory PD | Observed Default Rate | Average regulatory LGD | Observed LGD |
| Central banks and central governments | 272,025 | 0.1% | 0.0% | 10% | 0% |
| Institutions | 58,691 | 0.3% | 0.0% | 27% | 0% |
| Corporates | 329,173 | 1.4% | 1.1% | 27% | 21% |
| Retail | 223,598 | 1.8% | 1.5% | 28% | 23% |

## INTERNAL RATING SYSTEM – SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS [Audited]

The IRBA for sovereigns, financial institutions, corporates and specialised financing portfolios is based on a consistent rating procedure in which Risk has the final say regarding the rating assigned to the counterparty and the Global Recovery Rate (GRR) assigned to transactions. Credit Conversion Factors (CCF) of off-balance sheet transactions are automatically assigned according to counterparty and transaction type (see paragraph *Rating system* in the section *Credit risk management policy*).

The generic process for assigning a rating to each segment is as follows:

- for large corporates and specialised financing, an analysis is carried out by the unit proposing a rating and a Global Recovery Rate to the Credit Committee, using the rating models and tools developed by Risk. The rating and Global Recovery Rate are validated or revised by the Risk representative during the Credit Committee meeting. The committee decides whether or not to grant or renew a loan and, if applicable, reviews the counterparty rating at least once a year;
- for financial institutions, the analysis is carried out by analysts in the Risk Function. Counterparty ratings and Global Recovery Rates are determined during review committees by geographical area to ensure comparability between similar banks;
- for sovereigns, the ratings are proposed by the Economic Research Department and approved at Country Committee (Rating Committee) meetings which take place several times a year. The committee comprises members of Executive Management, the Risk Function and the business lines;
- for small and medium-sized companies (other than retail customers), a score is assigned by the Risk analysts.

For each of these sub-portfolios, the risk parameters are measured using a model certified and validated by the Risk teams, based mainly on an analysis of the Bank's historical data. The model is supported as far as possible by Group-wide shared tools to ensure consistent use. The method is supplemented by expert judgement provided it can be justified.

The method for assessing risk parameters is based on a set of common principles, and particularly the “two pairs of eyes” principle which requires at least two people, at least one of whom has no commercial involvement, to give their opinion on each counterparty rating and each transaction Global Recovery Rate.

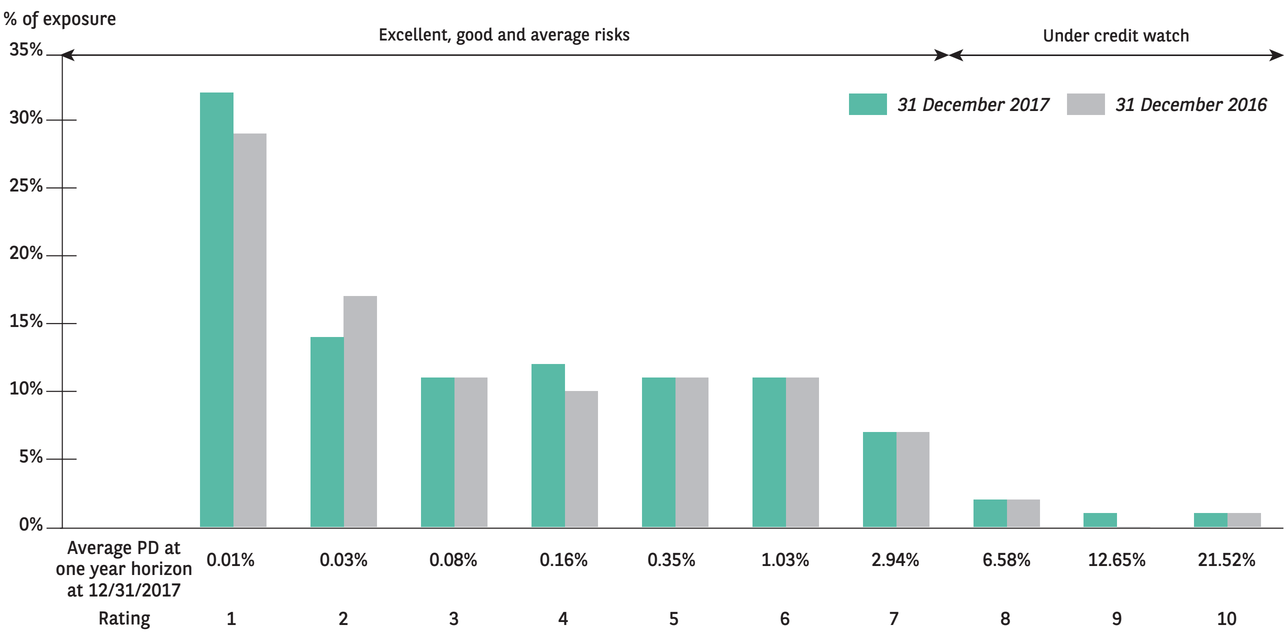
The same definition of default is used consistently throughout the Group for each asset class, in accordance with regulations.

The chart below shows a breakdown by credit rating of performing loans and commitments for the asset classes: central governments and central banks, financial institutions, corporates for all the Group’s business lines, measured using the Internal Ratings Based Approach.

This exposure represented EUR 794 billion at 31 December 2017 compared with EUR 806 billion at 31 December 2016.

The majority of commitments are towards borrowers rated as good or excellent quality, reflecting the heavy weighting of large multinational groups and financial institutions in the Bank’s client base. A significant proportion of commitments to non-investment grade borrowers are highly structured or secured by high quality guarantees implying a high recovery rate in the event of default. They include export financing covered by export credit insurance written by international agencies, project finance, structured finance and transaction financing.

### FIGURE 7: IRBA EXPOSURE BY INTERNAL RATING – SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS [Audited]




## SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS

The table below presents the breakdown by PD range of the corporate loans and commitments for the asset classes: central governments and central banks, institutions and corporates for all the Group’s business lines using the advanced IRB Approach. This exposure represented EUR 810 billion at 31 December 2017, including EUR 794 billion of performing loans and EUR 16 billion of non-performing loans, compared with EUR 824 billion at 31 December 2016, including EUR 806 billion of performing loans and EUR 18 billion of non-performing loans.

The table also gives the weighted averages of the main risk parameters in the Basel framework:

- average probability of default weighted by exposure at default: average PD[1];
- weighted average of Credit Conversion Factor (CCF) for off-balance sheet items defined as the ratio of the exposure at default divided by the off-balance sheet exposure: average CCF[2];
- average Loss Given Default weighted by exposure at default: average LGD[3];
- average of residual maturities (in years) weighted by the exposure at default: average maturity;
- as well as the average risk weight: average RW[4] defined as the ratio between risk-weighted assets and exposure at default (EAD).

The column “Expected loss” presents the expected loss at a one-year horizon.

*(1) Average PD: “Probability of Default” – average probability of default weighted by exposure at default.*

*(2) Average CCF: “Credit Conversion Factor” – ratio of the exposure at default divided by the off-balance sheet exposure.*

*(3) Average LGD: “Loss Given Default” – average Loss Given Default weighted by exposure at default.*

*(4) Average RW: “Risk Weight” – average risk weight.*

## TABLE 30: IRBA EXPOSURE BY PD SCALE AND ASSET CLASS – SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS (EU CR6)

| | | 31 December 2017 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | PD range | Balance sheet exposure | Off-balance sheet exposure | Total exposure | Average off-balance sheet CCF | EAD | Average PD | Number of obligors | Average LGD | Average maturity | RWAs(*) | Average RW(*) | Expected Loss(**) | Provisions(**) |
| Central governments and central banks | 0.00 to < 0.15% | 266,299 | 2,147 | 268,446 | 65% | 267,906 | 0.01% | 1,000 to 10,000 | 2% | 2 | 1,069 | 0% | 1 | |
| | 0.15 to < 0.25% | 595 | 20 | 615 | 53% | 606 | 0.16% | 0 to 100 | 10% | 2 | 39 | 6% | - | |
| | 0.25 to < 0.50% | 2,736 | 48 | 2,783 | 55% | 2,762 | 0.34% | 0 to 100 | 29% | 2 | 1,016 | 37% | 3 | |
| | 0.50 to < 0.75% | 900 | 819 | 1,719 | 55% | 1,352 | 0.69% | 0 to 100 | 13% | 2 | 285 | 21% | 1 | |
| | 0.75 to < 2.50% | 241 | 2 | 243 | 74% | 242 | 1.49% | 0 to 100 | 24% | 3 | 157 | 65% | 1 | |
| | 2.50 to < 10.0% | 828 | 158 | 986 | 55% | 915 | 6.26% | 0 to 100 | 8% | 3 | 260 | 28% | 4 | |
| | 10.0 to < 100% | 482 | 236 | 718 | 74% | 657 | 16.16% | 0 to 100 | 8% | 3 | 279 | 43% | 9 | |
| | 100% (defaults) | 90 | 0 | 90 | 0% | 90 | 100.00% | 0 to 100 | | 3 | 5 | 6% | 6 | |
| **SUB-TOTAL** | | **272,170** | **3,430** | **275,600** | **63%** | **274,529** | **0.11%** | | **2%** | **2** | **3,111** | **1%** | **25** | **24** |
| Institutions | 0.00 to < 0.15% | 19,231 | 13,017 | 32,248 | 58% | 26,805 | 0.05% | 1,000 to 10,000 | 18% | 2 | 3,066 | 11% | 3 | |
| | 0.15 to < 0.25% | 2,138 | 3,681 | 5,818 | 49% | 3,932 | 0.17% | 100 to 1,000 | 35% | 2 | 1,075 | 27% | 2 | |
| | 0.25 to < 0.50% | 3,317 | 849 | 4,166 | 43% | 3,693 | 0.32% | 100 to 1,000 | 23% | 2 | 1,200 | 32% | 3 | |
| | 0.50 to < 0.75% | 1,017 | 343 | 1,360 | 39% | 1,150 | 0.67% | 100 to 1,000 | 27% | 2 | 609 | 53% | 2 | |
| | 0.75 to < 2.50% | 1,179 | 799 | 1,978 | 62% | 1,674 | 1.33% | 100 to 1,000 | 32% | 2 | 1,263 | 75% | 7 | |
| | 2.50 to < 10.0% | 480 | 324 | 804 | 45% | 628 | 4.05% | 100 to 1,000 | 40% | 2 | 896 | 143% | 10 | |
| | 10.0 to < 100% | 14 | 61 | 75 | 82% | 64 | 22.94% | 0 to 100 | 33% | 1 | 114 | 179% | 5 | |
| | 100% (defaults) | 294 | 28 | 322 | 100% | 321 | 100.00% | 0 to 100 | | 4 | 9 | 3% | 198 | |
| **SUB-TOTAL** | | **27,670** | **19,102** | **46,771** | **55%** | **38,268** | **1.11%** | | **22%** | **2** | **8,231** | **22%** | **230** | **208** |
| Corporates | 0.00 to < 0.15% | 48,100 | 131,686 | 179,785 | 49% | 113,350 | 0.07% | 30,000 to 40,000 | 38% | 2 | 25,630 | 23% | 28 | |
| | 0.15 to < 0.25% | 26,558 | 33,580 | 60,138 | 49% | 43,249 | 0.18% | 10,000 to 20,000 | 37% | 3 | 15,938 | 37% | 29 | |
| | 0.25 to < 0.50% | 47,042 | 32,763 | 79,805 | 50% | 63,701 | 0.35% | 30,000 to 40,000 | 35% | 3 | 30,662 | 48% | 77 | |
| | 0.50 to < 0.75% | 15,682 | 9,095 | 24,778 | 52% | 20,537 | 0.68% | 10,000 to 20,000 | 27% | 3 | 10,579 | 52% | 38 | |
| | 0.75 to < 2.50% | 48,022 | 23,458 | 71,480 | 48% | 59,548 | 1.36% | 50,000 to 60,000 | 29% | 3 | 39,889 | 67% | 229 | |
| | 2.50 to < 10.0% | 31,527 | 17,397 | 48,924 | 49% | 40,216 | 4.27% | 40,000 to 50,000 | 32% | 3 | 43,163 | 107% | 536 | |
| | 10.0 to < 100% | 4,650 | 2,609 | 7,258 | 49% | 5,963 | 18.25% | 1,000 to 10,000 | 33% | 2 | 10,654 | 179% | 379 | |
| | 100% (defaults) | 13,749 | 1,670 | 15,419 | 47% | 14,517 | 100.00% | 10,000 to 20,000 | | 2 | 3,710 | 26% | 8,108 | |
| **SUB-TOTAL** | | **235,329** | **252,258** | **487,586** | **49%** | **361,082** | **5.16%** | | **35%** | **3** | **180,225** | **50%** | **9,426** | **8,923** |
| **TOTAL** | | **535,168** | **274,790** | **809,958** | **50%** | **673,878** | **2.88%** | | **20%** | **2** | **191,568** | **28%** | **9,681** | **9,155** |

(*) *Add-on included.*

(**) *The expected losses and provisions are not directly comparable data: the expected one-year losses are statistical estimates through the cycle (TTC) and cover the whole IRBA portfolio whilst the provisions for credit risk are assessed at a particular point in time (PIT) and maturity on the riskiest part of the portfolio.*

| *In millions of euros* | PD range | Balance sheet exposure | Off-balance sheet exposure | Total exposure | Average off-balance sheet CCF | EAD | Average PD | Number of obligors | Average LGD | Average maturity | RWAs(*) | Average RW(*) | Expected Loss(**) | Provisions(**) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | 31 December 2016 |
| Central governments and central banks | 0.00 to < 0.15% | 274,208 | 1,607 | 275,815 | 53% | 275,096 | 0.01% | 1,000 to 10,000 | 2% | 2 | 1,401 | 1% | 1 | |
| | 0.15 to < 0.25% | 589 | 0 | 589 | 75% | 590 | 0.16% | 0 to 100 | 13% | 1 | 48 | 8% | - | |
| | 0.25 to < 0.50% | 3,585 | 43 | 3,628 | 60% | 3,611 | 0.37% | 0 to 100 | 30% | 2 | 1,399 | 39% | 4 | |
| | 0.50 to < 0.75% | 1,700 | 881 | 2,582 | 55% | 2,187 | 0.69% | 0 to 100 | 17% | 2 | 590 | 27% | 3 | |
| | 0.75 to < 2.50% | 249 | 5 | 254 | 70% | 253 | 1.55% | 0 to 100 | 33% | 4 | 239 | 95% | 2 | |
| | 2.50 to < 10.0% | 919 | 309 | 1,228 | 59% | 1,102 | 6.20% | 100 to 1,000 | 9% | 3 | 342 | 31% | 5 | |
| | 10.0 to < 100% | 533 | 79 | 612 | 75% | 593 | 17.72% | 0 to 100 | 13% | 3 | 421 | 71% | 16 | |
| | 100% (defaults) | 90 | 20 | 109 | 55% | 122 | 100.00% | 0 to 100 | | 3 | 142 | 116% | 6 | |
| **SUB-TOTAL** | | **281,874** | **2,943** | **284,817** | **55%** | **283,553** | **0.13%** | | **2%** | **2** | **4,581** | **2%** | **37** | **24** |
| Institutions | 0.00 to < 0.15% | 24,152 | 13,638 | 37,790 | 49% | 30,861 | 0.05% | 1,000 to 10,000 | 20% | 2 | 2,570 | 8% | 3 | |
| | 0.15 to < 0.25% | 1,797 | 1,791 | 3,587 | 59% | 2,860 | 0.18% | 100 to 1,000 | 31% | 2 | 821 | 29% | 2 | |
| | 0.25 to < 0.50% | 3,762 | 1,135 | 4,898 | 49% | 4,325 | 0.36% | 100 to 1,000 | 30% | 2 | 1,782 | 41% | 5 | |
| | 0.50 to < 0.75% | 1,356 | 871 | 2,227 | 45% | 1,752 | 0.68% | 100 to 1,000 | 26% | 2 | 901 | 51% | 3 | |
| | 0.75 to < 2.50% | 1,150 | 401 | 1,551 | 59% | 1,389 | 1.33% | 100 to 1,000 | 39% | 3 | 1,389 | 100% | 8 | |
| | 2.50 to < 10.0% | 532 | 460 | 992 | 50% | 765 | 4.41% | 100 to 1,000 | 42% | 2 | 1,178 | 154% | 15 | |
| | 10.0 to < 100% | 95 | 110 | 206 | 85% | 190 | 19.68% | 0 to 100 | 47% | 2 | 512 | 270% | 16 | |
| | 100% (defaults) | 384 | 65 | 449 | 79% | 436 | 100.00% | 0 to 100 | | 2 | 29 | 7% | 187 | |
| **SUB-TOTAL** | | **33,227** | **18,472** | **51,699** | **50%** | **42,577** | **1.34%** | | **23%** | **2** | **9,182** | **22%** | **239** | **206** |
| Corporates | 0.00 to < 0.15% | 49,918 | 127,790 | 177,708 | 49% | 112,676 | 0.07% | 30,000 to 40,000 | 38% | 3 | 25,580 | 23% | 28 | |
| | 0.15 to < 0.25% | 26,447 | 30,237 | 56,684 | 51% | 42,088 | 0.18% | 20,000 to 30,000 | 37% | 3 | 15,272 | 36% | 27 | |
| | 0.25 to < 0.50% | 41,995 | 33,663 | 75,657 | 49% | 58,659 | 0.35% | 30,000 to 40,000 | 35% | 3 | 28,451 | 49% | 71 | |
| | 0.50 to < 0.75% | 16,309 | 10,718 | 27,027 | 53% | 22,168 | 0.68% | 10,000 to 20,000 | 27% | 3 | 10,850 | 49% | 40 | |
| | 0.75 to < 2.50% | 47,688 | 24,504 | 72,192 | 50% | 60,328 | 1.38% | 40,000 to 50,000 | 27% | 3 | 38,797 | 64% | 222 | |
| | 2.50 to < 10.0% | 34,414 | 18,884 | 53,298 | 50% | 43,927 | 4.20% | 40,000 to 50,000 | 28% | 3 | 40,649 | 93% | 500 | |
| | 10.0 to < 100% | 4,923 | 2,339 | 7,262 | 47% | 6,043 | 18.17% | 1,000 to 10,000 | 26% | 3 | 8,448 | 140% | 291 | |
| | 100% (defaults) | 16,098 | 1,862 | 17,960 | 46% | 16,992 | 100.00% | 10,000 to 20,000 | | 2 | 3,390 | 20% | 9,427 | |
| **SUB-TOTAL** | | **237,790** | **249,997** | **487,787** | **49%** | **362,880** | **5.86%** | | **33%** | **3** | **171,436** | **47%** | **10,607** | **10,209** |
| **TOTAL** | | **552,892** | **271,412** | **824,304** | **50%** | **689,010** | **3.22%** | | **20%** | **2** | **185,198** | **27%** | **10,883** | **10,439** |

*(*) Add-on included.*

*(**) The expected losses and provisions are not directly comparable data: the expected one-year losses are statistical estimates through the cycle (TTC) and cover the whole IRBA portfolio whilst the provisions for credit risk are assessed at a particular point in time (PIT) and maturity on the riskiest part of the portfolio.*

Most of the Group's Central government and central bank counterparties are of very high credit quality and based in developed countries, meaning that they have very good internal ratings and very low average Loss Given Default.

The majority of the Group's corporate commitments concerns counterparties of excellent or good quality, reflecting the large part of multinationals in BNP Paribas' customer base. Other exposures are mainly structured transactions or transactions secured by high-quality assets, reflected in their average LGD levels.

On average, the probability of default excluding counterparty default stands at 0.75%. It is 1.19% for Corporates.

## ➤ TABLE 31: AVERAGE PD AND LGD OF THE CORPORATE ASSET CLASS BY GEOGRAPHICAL REGION

| | 31 December 2017 | | |
|---|---|---|---|
| *In millions of euros* | Performing exposure | Average PD | Average LGD |
| **Europe**(*) | **322,205** | **1.17%** | **35%** |
| *of which France* | *102,221* | *1.09%* | *38%* |
| *of which Belgium* | *59,296* | *1.60%* | *27%* |
| *of which Luxembourg* | *15,505* | *1.05%* | *30%* |
| *of which Italy* | *43,727* | *1.31%* | *42%* |
| **North America** | **75,324** | **1.06%** | **35%** |
| **Asia Pacific** | **46,376** | **1.08%** | **38%** |
| **Rest of the World** | **28,262** | **1.90%** | **27%** |
| **TOTAL** | **472,168** | **1.19%** | **35%** |

(*) *Within the European Free Trade Association, EFTA.*

| | 31 December 2016 | | |
|---|---|---|---|
| *In millions of euros* | Performing exposure | Average PD | Average LGD |
| **Europe**(*) | **310,388** | **1.21%** | **34%** |
| *of which France* | *96,722* | *1.13%* | *37%* |
| *of which Belgium* | *55,755* | *1.68%* | *25%* |
| *of which Luxembourg* | *13,291* | *1.15%* | *30%* |
| *of which Italy* | *40,015* | *1.48%* | *38%* |
| **North America** | **79,325** | **1.02%** | **35%** |
| **Asia Pacific** | **46,551** | **1.33%** | **35%** |
| **Rest of the World** | **33,563** | **1.70%** | **27%** |
| **TOTAL** | **469,828** | **1.24%** | **33%** |

(*) *Within the European Free Trade Association, EFTA.*

## INTERNAL RATING SYSTEM SPECIFIC TO RETAIL CUSTOMERS [Audited]

Retail customers are characterised by a high degree of granularity, small unit volumes and a standard risk profile.

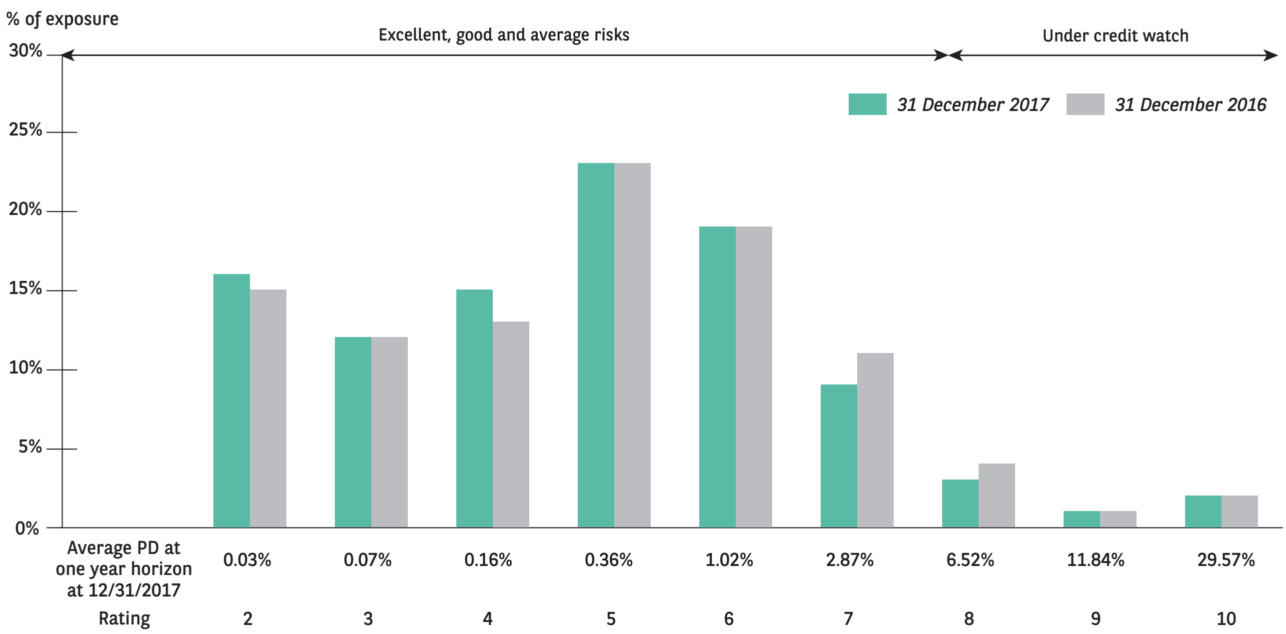
The majority of retail borrowers are assigned a behavioural score which serves as a basis to determine the probability of default and, for each transaction, the Global Recovery Rate (GRR) and Exposure at Default (EAD). These parameters are calculated every month on the basis of the most up-to-date information. They are supplemented by different scores that are made available to the commercial function. The latter has no involvement in determining risk parameters. These methods are used consistently for all retail customers. The general principles of the rating system are set out in the *Rating System* paragraph in the section *Credit Risk Management Policy*.

Scoring techniques are used to assign retail customers to risk groups presenting the same default risk characteristics. This also applies to the other credit risk inputs: EAD and LGD.

The chart below shows a breakdown by credit rating of performing loans and commitments in the retail book for all the Group's business lines, measured using the internal ratings based approach.

This exposure to performing loans represented EUR 245 billion at 31 December 2017, stable compared with EUR 244 billion at 31 December 2016.

### ➤ FIGURE 8: IRBA EXPOSURE BY INTERNAL RATING – RETAIL PORTFOLIO [Audited]




## RETAIL PORTFOLIO

The following table gives the breakdown by PD range of the retail loans and commitments for all of the Group's business lines using the advanced IRB Approach. Total exposure represented EUR 257 billion as at 31 December 2017 compared with EUR 258 billion as at 31 December 2016.

## ➤ TABLE 32: IRBA EXPOSURE BY INTERNAL RATING AND ASSET CLASS – RETAIL PORTFOLIO (EU CR6)

| | | 31 December 2017 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | PD range | Balance sheet exposure | Off-balance sheet exposure | Total exposure | Average off-balance sheet CCF | EAD | Average PD | Average LGD | Average maturity | RWAs(*) | Average RW(*) | Expected Loss(**) | Provisions(**) |
| Mortgages | 0.00 to < 0.15% | 63,006 | 3,157 | 66,163 | 90% | 65,852 | 0.06% | 12% | 5 | 3,729 | 6% | 5 | |
| | 0.15 to < 0.25% | 16,008 | 558 | 16,566 | 100% | 16,567 | 0.18% | 13% | 5 | 832 | 5% | 4 | |
| | 0.25 to < 0.50% | 32,848 | 914 | 33,762 | 96% | 33,768 | 0.36% | 16% | 5 | 3,300 | 10% | 19 | |
| | 0.50 to < 0.75% | 12,089 | 431 | 12,520 | 93% | 12,507 | 0.64% | 15% | 5 | 1,812 | 14% | 12 | |
| | 0.75 to < 2.50% | 16,002 | 741 | 16,743 | 89% | 16,697 | 1.48% | 15% | 5 | 4,093 | 25% | 37 | |
| | 2.50 to < 10.0% | 7,517 | 223 | 7,741 | 78% | 7,715 | 4.81% | 16% | 5 | 3,832 | 50% | 60 | |
| | 10.0 to < 100% | 3,090 | 55 | 3,146 | 83% | 3,139 | 22.29% | 16% | 5 | 2,670 | 85% | 110 | |
| | 100% (defaults) | 4,202 | 20 | 4,222 | 53% | 4,216 | 100.00% | | 4 | 3,265 | 77% | 1,150 | |
| **SUB-TOTAL** | | **154,762** | **6,100** | **160,862** | **91%** | **160,461** | **3.62%** | **14%** | **5** | **23,533** | **15%** | **1,397** | **1,362** |
| Revolving exposures | 0.00 to < 0.15% | 109 | 5,749 | 5,857 | 94% | 5,768 | 0.09% | 62% | 1 | (529) | -9% | 3 | |
| | 0.15 to < 0.25% | 45 | 654 | 700 | 65% | 501 | 0.19% | 70% | 1 | 36 | 7% | 1 | |
| | 0.25 to < 0.50% | 107 | 1,972 | 2,079 | 54% | 1,203 | 0.32% | 60% | 1 | 119 | 10% | 2 | |
| | 0.50 to < 0.75% | 166 | 449 | 615 | 49% | 404 | 0.63% | 67% | 1 | 75 | 19% | 2 | |
| | 0.75 to < 2.50% | 1,137 | 2,355 | 3,492 | 43% | 2,170 | 1.31% | 51% | 1 | 530 | 24% | 14 | |
| | 2.50 to < 10.0% | 1,629 | 914 | 2,543 | 67% | 2,260 | 5.03% | 48% | 1 | 1,384 | 61% | 55 | |
| | 10.0 to < 100% | 1,040 | 251 | 1,290 | 59% | 1,202 | 23.74% | 55% | 1 | 1,680 | 140% | 172 | |
| | 100% (defaults) | 1,147 | 36 | 1,183 | 75% | 1,175 | 100.00% | | 1 | 247 | 21% | 900 | |
| **SUB-TOTAL** | | **5,381** | **12,379** | **17,760** | **72%** | **14,684** | **11.00%** | **58%** | **1** | **3,542** | **24%** | **1,149** | **1,019** |
| Other exposures | 0.00 to < 0.15% | 9,669 | 3,499 | 13,168 | 65% | 12,031 | 0.07% | 41% | 3 | 3,481 | 29% | 3 | |
| | 0.15 to < 0.25% | 2,820 | 995 | 3,815 | 85% | 3,786 | 0.19% | 41% | 3 | 602 | 16% | 3 | |
| | 0.25 to < 0.50% | 12,119 | 2,352 | 14,471 | 92% | 14,602 | 0.35% | 36% | 3 | 2,847 | 19% | 18 | |
| | 0.50 to < 0.75% | 6,574 | 966 | 7,540 | 91% | 7,548 | 0.64% | 38% | 3 | 2,250 | 30% | 18 | |
| | 0.75 to < 2.50% | 15,698 | 2,775 | 18,473 | 93% | 18,577 | 1.47% | 36% | 3 | 7,499 | 40% | 98 | |
| | 2.50 to < 10.0% | 9,289 | 1,151 | 10,441 | 89% | 10,467 | 4.88% | 37% | 3 | 5,260 | 50% | 187 | |
| | 10.0 to < 100% | 3,809 | 134 | 3,943 | 102% | 3,985 | 26.51% | 41% | 2 | 3,636 | 91% | 481 | |
| | 100% (defaults) | 5,980 | 99 | 6,079 | 83% | 6,069 | 100.00% | | 2 | 6,728 | 111% | 3,707 | |
| **SUB-TOTAL** | | **65,958** | **11,971** | **77,929** | **83%** | **77,066** | **10.41%** | **38%** | **3** | **32,303** | **42%** | **4,516** | **4,139** |
| **TOTAL** | | **226,100** | **30,451** | **256,551** | **80%** | **252,211** | **6.12%** | **23%** | **4** | **59,378** | **24%** | **7,062** | **6,520** |

*(*) Add-on included.*

*(**) The expected losses and provisions are not directly comparable data: the expected one-year losses are statistical estimates through the cycle (TTC) and cover the whole IRBA portfolio whilst the provisions for credit risk are assessed at a particular point in time (PIT) and maturity on the riskiest part of the portfolio.*

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 31 December 2016 | | | | | | | | | | | |
| *In millions of euros* | PD range | Balance sheet exposure | Off-balance sheet exposure | Total exposure | Average off-balance sheet CCF | EAD | Average PD | Average LGD | Average maturity | RWAs(*) | Average RW(*) | Expected Loss(**) | Provisions(**) |
| Mortgages | 0.00 to < 0.15% | 55,790 | 3,094 | 58,885 | 88% | 58,519 | 0.06% | 11% | 5 | 3,900 | 7% | 4 | |
| | 0.15 to < 0.25% | 15,058 | 753 | 15,812 | 100% | 15,817 | 0.18% | 12% | 5 | 743 | 5% | 3 | |
| | 0.25 to < 0.50% | 33,386 | 1,076 | 34,461 | 97% | 34,467 | 0.36% | 15% | 5 | 3,145 | 9% | 18 | |
| | 0.50 to < 0.75% | 10,537 | 507 | 11,044 | 93% | 11,027 | 0.64% | 14% | 5 | 1,421 | 13% | 10 | |
| | 0.75 to < 2.50% | 16,387 | 1,242 | 17,629 | 94% | 17,587 | 1.46% | 14% | 5 | 3,942 | 22% | 36 | |
| | 2.50 to < 10.0% | 7,373 | 225 | 7,598 | 77% | 7,569 | 4.96% | 15% | 5 | 3,507 | 46% | 55 | |
| | 10.0 to < 100% | 3,012 | 55 | 3,067 | 80% | 3,060 | 23.38% | 15% | 5 | 2,471 | 81% | 107 | |
| | 100% (defaults) | 4,662 | 17 | 4,679 | 55% | 4,677 | 100.00% | | 4 | 1,789 | 38% | 1,320 | |
| **SUB-TOTAL** | | **146,206** | **6,969** | **153,175** | **92%** | **152,723** | **4.11%** | **13%** | **5** | **20,918** | **14%** | **1,553** | **1,546** |
| Revolving exposures | 0.00 to < 0.15% | 185 | 5,049 | 5,234 | 67% | 4,075 | 0.07% | 65% | 1 | 115 | 3% | 129 | |
| | 0.15 to < 0.25% | 82 | 1,610 | 1,692 | 73% | 1,332 | 0.18% | 59% | 1 | 81 | 6% | 1 | |
| | 0.25 to < 0.50% | 146 | 1,632 | 1,778 | 69% | 1,338 | 0.32% | 57% | 1 | 126 | 9% | 2 | |
| | 0.50 to < 0.75% | 203 | 2,073 | 2,276 | 53% | 1,396 | 0.58% | 53% | 1 | 196 | 14% | 4 | |
| | 0.75 to < 2.50% | 1,195 | 2,668 | 3,863 | 44% | 2,415 | 1.35% | 49% | 1 | 580 | 24% | 16 | |
| | 2.50 to < 10.0% | 2,562 | 2,247 | 4,810 | 34% | 3,378 | 5.30% | 46% | 1 | 2,049 | 61% | 83 | |
| | 10.0 to < 100% | 1,042 | 313 | 1,354 | 59% | 1,247 | 20.76% | 47% | 1 | 1,465 | 117% | 126 | |
| | 100% (defaults) | 1,298 | 47 | 1,345 | 56% | 1,327 | 100.00% | | 1 | 255 | 19% | 873 | |
| **SUB-TOTAL** | | **6,713** | **15,639** | **22,352** | **57%** | **16,507** | **10.99%** | **55%** | **1** | **4,867** | **29%** | **1,234** | **1,154** |
| Other exposures | 0.00 to < 0.15% | 8,732 | 3,419 | 12,152 | 56% | 10,769 | 0.06% | 38% | 3 | 1,216 | 11% | 129 | |
| | 0.15 to < 0.25% | 2,932 | 1,412 | 4,344 | 96% | 4,342 | 0.19% | 41% | 2 | 683 | 16% | 3 | |
| | 0.25 to < 0.50% | 11,221 | 2,728 | 13,949 | 92% | 13,929 | 0.34% | 34% | 3 | 2,568 | 18% | 16 | |
| | 0.50 to < 0.75% | 6,220 | 842 | 7,062 | 87% | 7,046 | 0.63% | 34% | 3 | 1,887 | 27% | 15 | |
| | 0.75 to < 2.50% | 17,168 | 2,958 | 20,126 | 93% | 20,138 | 1.49% | 34% | 3 | 7,640 | 38% | 101 | |
| | 2.50 to < 10.0% | 11,875 | 1,248 | 13,123 | 94% | 13,243 | 4.78% | 34% | 3 | 6,349 | 48% | 218 | |
| | 10.0 to < 100% | 3,884 | 181 | 4,065 | 97% | 4,128 | 24.51% | 33% | 3 | 2,903 | 70% | 336 | |
| | 100% (defaults) | 7,215 | 104 | 7,320 | 87% | 7,335 | 100.00% | | 2 | 4,312 | 59% | 4,428 | |
| **SUB-TOTAL** | | **69,248** | **12,893** | **82,142** | **83%** | **80,930** | **11.60%** | **35%** | **3** | **27,556** | **34%** | **5,247** | **4,971** |
| **TOTAL** | | **222,167** | **35,502** | **257,669** | **73%** | **250,161** | **6.99%** | **22%** | **4** | **53,341** | **21%** | **8,034** | **7,671** |

(*) *Add-on included.*

(**) *The expected losses and provisions are not directly comparable data: the expected one-year losses are statistical estimates through the cycle (TTC) and cover the whole IRBA portfolio whilst the provisions for credit risk are assessed at a particular point in time (PIT) and maturity on the riskiest part of the portfolio.*

Most of the mortgage exposures concern French Retail Banking, Belgian Retail Banking and Luxembourg Retail Banking. Mortgages are issued according to strict and well-defined procedures. Average probability of default on retail clients' performing loans is 1.65%. The low average Loss Given Default level reflects the guarantees put in place when the mortgages were granted. Since 2013, all credit institutions have implemented an add-on for risk-weighted assets on the Belgian mortgage portfolio at the supervisor's request.

Most of the revolving exposures and other exposures relate to consumer loans subsidiaries that have a wider range of customers in terms of credit quality and a lower level of guarantees.

### ➤ TABLE 33: AVERAGE PD AND LGD OF THE RETAIL PORTFOLIO BY GEOGRAPHICAL REGION

| | 31 December 2017 | | |
|---|---|---|---|
| *In millions of euros* | Performing exposure | Average PD | Average LGD |
| **Europe[(*)]** | **244,693** | **1.65%** | **23%** |
| *of which France* | *125,927* | *1.59%* | *24%* |
| *of which Belgium* | *71,211* | *1.51%* | *18%* |
| *of which Luxembourg* | *6,162* | *0.87%* | *23%* |
| *of which Italy* | *32,133* | *1.77%* | *25%* |
| **North America** | **71** | **n.s.** | **n.s.** |
| **Asia Pacific** | **85** | **n.s.** | **n.s.** |
| **Rest of the World** | **220** | **n.s.** | **n.s.** |
| **TOTAL** | **245,068** | **1.65%** | **23%** |

(*) *Within the European Free Trade Association, EFTA.*

| | 31 December 2016 | | |
|---|---|---|---|
| *In millions of euros* | Performing exposure | Average PD | Average LGD |
| **Europe[(*)]** | **243,938** | **1.75%** | **22%** |
| *of which France* | *117,437* | *1.49%* | *23%* |
| *of which Belgium* | *70,517* | *1.48%* | *17%* |
| *of which Luxembourg* | *5,499* | *0.94%* | *23%* |
| *of which Italy* | *32,419* | *2.15%* | *25%* |
| **North America** | **61** | **n.s.** | **n.s.** |
| **Asia Pacific** | **88** | **n.s.** | **n.s.** |
| **Rest of the World** | **237** | **n.s.** | **n.s.** |
| **TOTAL** | **244,324** | **1.75%** | **22%** |

(*) *Within the European Free Trade Association, EFTA.*

## CREDIT RISK: STANDARDISED APPROACH

For exposures under the standardised approach, BNP Paribas uses the external ratings from External Credit Assessment Institutions (ECAIs) Standard & Poor's, Moody's, Fitch Ratings, Euler Hermes Rating GmbH and Banque de France. These ratings are mapped into equivalent credit quality levels as required by the regulation framework in accordance with the instructions issued by the supervisor.

When there is no directly applicable external rating, the issuer's senior unsecured rating may, if available, be obtained from external databases and used for risk-weighting purposes in some cases.

As at 31 December 2017, standardised approach exposure represents 28% of the BNP Paribas Group's total gross exposures to credit risk, stable compared with 31 December 2016.

The following table shows a summary of standardised risk-weighted exposures broken down by regulatory asset class. The equity exposures weighted using the standardised approach consist primarily of asset value guarantees given to fund unit holders.

### ➤ TABLE 34: STANDARDISED CREDIT RISK EXPOSURES BY STANDARD EXPOSURE CLASS (EU CR4) [Audited]

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Gross exposure | | EAD | | | |
| *In millions of euros* | Balance sheet | Off-balance sheet | Balance sheet | Off-balance sheet | RWAs | Average RW |
| Central governments or central banks | 32,679 | 5 | 36,280 | 2 | 5,760 | 16% |
| Regional governments or local authorities | 3,476 | 1,904 | 3,471 | 624 | 675 | 16% |
| Public sector entities | 14,516 | 1,884 | 14,998 | 448 | 2,003 | 13% |
| Multilateral development banks | 1 | - | 1 | - | 0 | 0% |
| International organisations | 1,346 | 147 | 1,346 | 147 | - | 0% |
| Institutions | 13,073 | 1,256 | 13,135 | 699 | 6,717 | 49% |
| Corporates | 81,965 | 32,659 | 75,883 | 13,042 | 81,315 | 91% |
| Retail | 91,928 | 29,814 | 88,471 | 3,496 | 64,860 | 71% |
| Exposures secured by mortgages on immovable property | 69,165 | 7,465 | 63,714 | 1,656 | 29,254 | 45% |
| Exposures in default | 13,262 | 284 | 5,131 | 107 | 5,676 | 108% |
| Exposures in the form of units or shares in collective investment undertakings | 101 | 677 | 101 | 186 | 188 | 65% |
| Equity | 4 | 1,450 | - | 290 | 290 | 100% |
| Other items | 28,025 | - | 28,025 | - | 20,862 | 74% |
| **TOTAL** | **349,541** | **77,545** | **330,555** | **20,697** | **217,601** | **62%** |

| | 31 December 2016 Proforma | | | | | |
|---|---|---|---|---|---|---|
| | Gross exposure | | EAD | | | |
| *In millions of euros* | Balance sheet | Off-balance sheet | Balance sheet | Off-balance sheet | RWAs | Average RW |
| Central governments or central banks | 33,165 | 2 | 37,338 | 1 | 6,107 | 16% |
| Regional governments or local authorities | 3,645 | 1,684 | 3,643 | 431 | 630 | 15% |
| Public sector entities | 15,326 | 1,437 | 15,742 | 358 | 1,533 | 10% |
| Multilateral development banks | 6 | - | 6 | - | - | 0% |
| International organisations | 1,165 | | 1,165 | | - | 0% |
| Institutions | 11,008 | 1,147 | 12,804 | 645 | 5,358 | 40% |
| Corporates | 77,316 | 31,947 | 71,113 | 12,569 | 80,898 | 97% |
| Retail | 80,996 | 22,980 | 77,264 | 2,888 | 55,820 | 70% |
| Exposures secured by mortgages on immovable property | 70,826 | 9,076 | 65,406 | 2,554 | 31,979 | 47% |
| Exposures in default | 14,700 | 249 | 5,855 | 134 | 6,659 | 111% |
| Exposures in the form of units or shares in collective investment undertakings | 91 | 1,187 | 91 | 278 | 284 | 77% |
| Equity | 6 | 1,676 | - | 335 | 335 | 100% |
| Other items | 28,091 | | 28,091 | | 20,960 | 75% |
| **TOTAL** | **336,340** | **71,386** | **318,518** | **20,192** | **210,564** | **62%** |

Currency effects have a significant influence on the change in exposure at default, particularly with the depreciation of the US dollar and Turkish, with an overall impact of -EUR 21 billion. The changes by asset class, discussed hereafter, exclude the currency impact and other non credit-obligation assets:

- the EUR 23 billion increase in retail exposures is attributable almost entirely to the development of Personal Finance in France and Italy, as well as the acquisition by this business line of the financing operations of General Motors Europe;
- the EUR 12 billion increase in corporate exposures relates primarily to Europe (EUR 7 billion), particularly General Motors Europe financing activites Corporate clients and Factoring. An increase can also be seen in Corporate activities for the Europe-Mediterranean business line in Turkey (EUR 1.3 billion).

The following table gives the breakdown by standard asset class, the distribution by risk weight of the loans and commitments in the book for all the Group's business lines using the standardised approach. Exposure at default was EUR 351 billion at 31 December 2017 compared to EUR 339 billion at 31 December 2016.

### TABLE 35: STANDARDISED CREDIT EAD (EU CR5) [Audited]

| | | 31 December 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | EAD | | | | | | | | | |
| | Risk weight<br>*In millions of euros* | 0% | 20% | 35% | 50% | 75% | 100% | 150% | Others | Total | of which unrated(*) |
| 1 | Central governments or central banks | 28,949 | 960 | - | 1,187 | - | 4,938 | - | 248 | **36,282** | 17,543 |
| 2 | Regional governments or local authorities | 1,269 | 2,687 | - | - | - | 136 | - | 3 | **4,094** | 1,476 |
| 3 | Public sector entities | 10,581 | 3,517 | - | 47 | - | 1,269 | - | 33 | **15,447** | 9,952 |
| 4 | Multilateral development banks | 1 | - | - | - | - | - | - | - | **1** | - |
| 5 | International organisations | 1,493 | - | - | - | - | - | - | - | **1,493** | 147 |
| 6 | Institutions | - | 6,270 | - | 4,123 | - | 3,356 | 1 | 83 | **13,834** | 2,303 |
| 7 | Corporates | - | 5,888 | - | 3,977 | - | 77,158 | 922 | 980 | **88,925** | 70,598 |
| 8 | Retail | - | - | - | - | 91,578 | 0 | - | 390 | **91,967** | 91,967 |
| 9 | Exposures secured by mortgages on immovable property | - | - | 33,992 | 20,691 | 6,666 | 3,265 | 32 | 725 | **65,370** | 64,317 |
| 10 | Exposures in default | - | - | - | - | - | 3,994 | 941 | 302 | **5,238** | 5,215 |
| 14 | Exposures in the form of units or shares in collective investment undertakings | 57 | 53 | - | - | - | 178 | - | - | **288** | 288 |
| 15 | Equity | - | - | - | - | - | 290 | - | - | **290** | 290 |
| 16 | Other items | 3,446 | 171 | - | 112 | - | 14,141 | - | 10,156 | **28,025** | 27,714 |
| **17** | **TOTAL** | **45,795** | **19,546** | **33,992** | **30,137** | **98,243** | **108,724** | **1,896** | **12,920** | **351,252** | **291,810** |

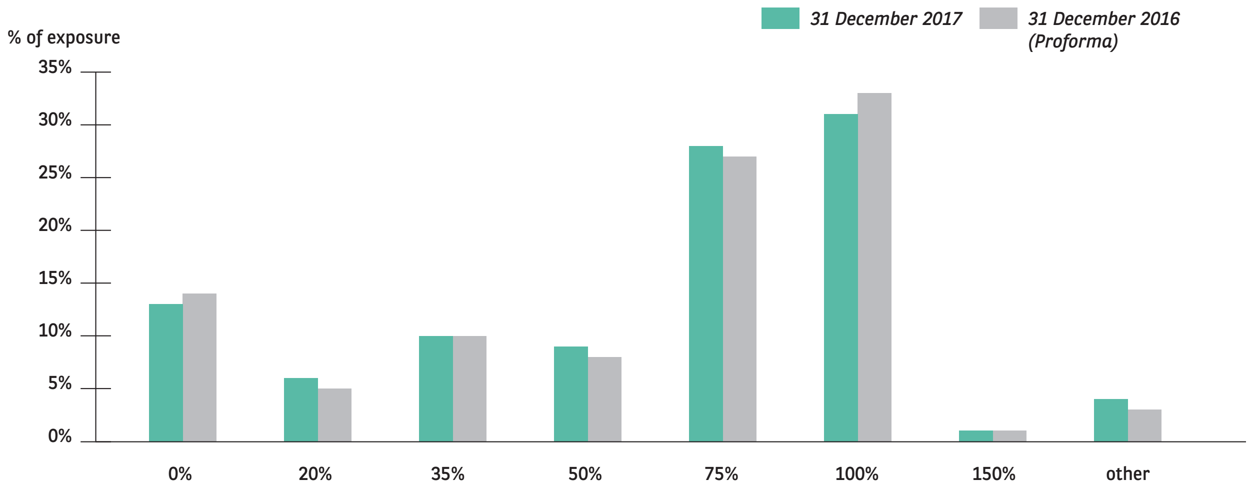
(*) *Exposures to counterparties without a credit rating from external rating agencies.*

| | Risk weight<br>*In millions of euros* | 31 December 2016 Proforma<br>EAD | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **0%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **Others** | **Total** | **of which unrated(*)** |
| 1 | Central governments or central banks | 29,763 | 1,027 | | 1,290 | | 5,256 | - | 2 | **37,339** | 5,130 |
| 2 | Regional governments or local authorities | 1,456 | 2,473 | | 17 | | 126 | - | 3 | **4,074** | 870 |
| 3 | Public sector entities | 11,911 | 3,301 | | 6 | | 867 | | 17 | **16 ,101** | 500 |
| 4 | Multilateral development banks | 6 | - | | | | - | | | **6** | - |
| 5 | International organisations | 1,165 | - | | | | - | | | **1,165** | - |
| 6 | Institutions | | 7,614 | | 3,724 | | 1,841 | 2 | 268 | **13,448** | 916 |
| 7 | Corporates | - | 847 | | 2,374 | | 79,514 | 365 | 583 | **83,682** | 75,346 |
| 8 | Retail | - | | | | 79,356 | 21 | | 774 | **80,152** | 79,726 |
| 9 | Exposures secured by mortgages on immovable property | | 11 | 35,042 | 17,325 | 10,811 | 3,970 | | 801 | **67,959** | 67,945 |
| 10 | Exposures in default | - | | | | | 4,231 | 1,405 | 352 | **5,989** | 5,788 |
| 14 | Exposures in the form of units or shares in collective investment undertakings | 59 | 32 | | | | 278 | - | | **369** | 366 |
| 15 | Equity | | | | | | 335 | | | **335** | 335 |
| 16 | Other items | 3,470 | 170 | | 972 | | 14,639 | | 8,840 | **28,091** | 26,921 |
| **17** | **TOTAL** | **47,830** | **15,474** | **35,042** | **25,708** | **90,167** | **111,078** | **1,771** | **11,640** | **338,710** | **263,844** |

(*) *Exposures to counterparties without a credit rating from external rating agencies.*

The following chart shows a breakdown by risk weight of EAD outstandings relating to credit risk for all the Group's business lines, measured using the standardised approach:

## ➤ FIGURE 9: STANDARDISED EXPOSURES BY RISK-WEIGHT



# CREDIT RISK: EQUITIES UNDER THE SIMPLE WEIGHTING METHOD

In accordance with the EBA's recommendations published in December 2016 on the revised Pillar 3, equities under the standardised approach and the simple weighting method, shown previously in section 5.7, *Market Risk* related to banking activities, are now included in this *Credit Risk* section.

## EXPOSURE [Audited]

Exposures under the simple weighting method at 31 December 2017 amounted to EUR 13.6 billion, versus EUR 14.2 billion at 31 December 2016.

### Scope

The shares held by the Group outside trading portfolios are securities conferring residual and subordinated rights on issuer's assets or income, or securities representing a similar economic nature. They encompass:

- listed and unlisted shares, including shares in investment funds;
- embedded options of convertible bonds, redeemable or exchangeable for shares;
- equity options;
- super-subordinated securities;
- private funds commitments;
- equity holdings hedge;
- shares of consolidated entities using the equity method.

The scope of exposures benefiting from the simple weighting method does not include the following items:

- stakes higher than 10% in credit or financial institutions, held in the form of available-for-sale assets, or consolidated using the equity method, are exempt from the equity deduction, being weighted at a flat rate of 250% (exposure of EUR 3.8 billion at 31 December 2017);
- asset value guarantees given to UCITS unit holders are weighted using the standardised approach (exposure of EUR 1.7 billion at 31 December 2017).

### Accounting principles and valuation methods

Accounting principles and valuation methods are set out in note 1 to the consolidated financial statements – *Summary of significant accounting policies applied by the BNP Paribas Group* – 1.c.10 *Determination of fair value*.

### Total gains and losses

Total unrealised gains and losses recorded in shareholders' equity are set out in note 4.c. to the consolidated financial statements – *Available-for-sale financial assets*.

## RISK-WEIGHTED ASSETS

Equity risk is calculated according to the simple weighting method, which gives the following weightings:

- 190% for investments held for medium/long-term valuation purposes within the framework of the Principal Investments business, as well as private equity exposures in diversified portfolios in line with the Bank's business line activities;
- 290% for exposures in the form of listed securities, including primarily investments related to the Bank's business line activities. In addition, some exposures relating to Principal Investments are also included in this category;
- 370% for all other exposures in the form of equities, primarily including entities consolidated using the equity method (including the Group's insurance entities in the prudential scope). Furthermore, this weighting is also applied to unlisted investments in non-diversified portfolios.

➤ **TABLE 36: EQUITY POSITIONS UNDER THE SIMPLE RISK-WEIGHTED APPROACH (EU CR10)** [Audited]

| | 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| *In millions of euros* | On-balance-sheet gross exposure amount | Off-balance-sheet gross exposure amount | Total gross exposure | EAD | Risk weight | RWAs | Capital requirement |
| Private equity exposures in diversified portfolios | 1,626 | 566 | 2,192 | 1,909 | 190% | 3,627 | 290 |
| Listed equity exposures | 1,434 | 488 | 1,922 | 1,878 | 290% | 5,445 | 436 |
| Other equity exposures | 9,368 | 140 | 9,508 | 9,439 | 370% | 34,926 | 2,794 |
| **TOTAL** | **12,427** | **1,194** | **13,622** | **13,226** | | **43,998** | **3,520** |

| *In millions of euros* | 31 Decembre 2016 Proforma | | | | | | |
|---|---|---|---|---|---|---|---|
| | On-balance-sheet gross exposure amount | Off-balance-sheet gross exposure mount | Total gross exposure | EAD | Risk weight | RWAs | Capital requirement |
| Private equity exposures in diversified portfolios | 1,947 | 482 | 2,429 | 2,188 | 190% | 4,157 | 333 |
| Listed equity exposures | 2,243 | 142 | 2,385 | 2,314 | 290% | 6,709 | 537 |
| Other equity exposures | 9,203 | 136 | 9,339 | 9,273 | 370% | 34,309 | 2,745 |
| **TOTAL** | **13,392** | **760** | **14,152** | **13,774** | | **45,175** | **3,614** |

➤ **TABLE 37: EQUITY UNDER THE SIMPLE WEIGHTING METHOD RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER**

| *In millions of euros* | 31 December 2016 | Key driver | | | | | | | Total variation | 31 December 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Asset size | Asset quality | Model updates | Methodology and policy | Acquisitions and disposals | Currency | Other | | |
| Equity | 45,175 | (1,897) | (557) | - | 1,160 | (244) | - | 362 | (1,177) | 43,998 |

The reduction in risk-weighted assets in 2017 is mainly due to disposals of investment stakes in the course of the year. This reduction is partly offset by the new regulatory treatment of subscription commitments for the Global Markets business, now treated using the simple weighting approach and not according to the IRBA approach.

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## EXPOSURE IN DEFAULT, PROVISIONS AND COST OF RISK

Financial assets that are past due but not impaired, impaired assets, and related collateral or other guarantees are presented in note 4.h to the consolidated financial statements.

The following tables show the breakdown by regulatory asset class, geographic area, and economic sector of doubtful assets and impairments of the prudential scope subject to credit risk. The exposure amounts are gross of impairments and before accounting for credit risk mitigation techniques (real or financial collateral).

The EUR 5 billion reduction in exposures in default during 2017 relates primarily to Italy (including in particular the disposal of a portfolio in default for -EUR 1 billion) and France (-EUR 0.6 billion for retail clients and -EUR 0.6 billion for corporates).

## ➤ TABLE 38: DEFAULTED EXPOSURES AND PROVISIONS BY ASSET CLASS (EU CR1-A)

| | | 31 December 2017 | | | | |
|---|---|---|---|---|---|---|
| | | Gross exposure | | | | |
| | *In millions of euros* | Defaulted exposures | Non-defaulted exposures | Total | Specific provisions | Collective provisions |
| 1 | Central governments or central banks | 90 | 275,510 | 275,600 | 6 | |
| 2 | Institutions | 322 | 46,450 | 46,771 | 198 | |
| 3 | Corporates | 15,419 | 472,168 | 487,586 | 8,126 | |
| *4* | *of which specialised lending* | *1,486* | *45,306* | *46,793* | *669* | |
| *5* | *of which SMEs* | *4,216* | *33,740* | *37,956* | *2,113* | |
| 6 | Retail | 11,483 | 245,068 | 256,551 | 5,643 | |
| *7* | *Secured by real estate property* | *4,222* | *156,640* | *160,862* | *1,153* | |
| *8* | *SMEs* | *511* | *10,264* | *10,774* | *137* | |
| *9* | *Non-SMEs* | *3,711* | *146,376* | *150,087* | *1,017* | |
| *10* | *Qualifying revolving* | *1,183* | *16,577* | *17,760* | *866* | |
| *11* | *Other retail* | *6,079* | *71,851* | *77,929* | *3,623* | |
| *12* | *SMEs* | *2,919* | *27,232* | *30,151* | *1,521* | |
| *13* | *Non-SMEs* | *3,159* | *44,619* | *47,779* | *2,101* | |
| 14 | Equity | - | 380 | 381 | - | |
| **15** | **TOTAL IRB APPROACH** | **27,313** | **1,039,577** | **1,066,890** | **13,972** | **1,703** |
| 16 | Central governments or central banks | 0 | 32,684 | 32,684 | 2 | |
| 17 | Regional governments or local authorities | 48 | 5,380 | 5,428 | 7 | |
| 18 | Public sector entities | 6 | 16,399 | 16,405 | 4 | |
| 19 | Multilateral development banks | - | 1 | 1 | - | |
| 20 | International organisations | - | 1,493 | 1,493 | - | |
| 21 | Institutions | 13 | 14,329 | 14,342 | 8 | |
| 22 | Corporates | 3,700 | 114,624 | 118,323 | 2,492 | |
| *23* | *of which SMEs* | *868* | *21,703* | *22,572* | *528* | |
| 24 | Retail | 5,814 | 121,741 | 127,555 | 3,960 | |
| *25* | *of which SMEs* | *1,561* | *28,691* | *30,252* | *1,002* | |
| 26 | Exposures secured by mortgages on immovable property | 3,952 | 76,631 | 80,583 | 1,626 | |
| *27* | *of which SMEs* | *1,158* | *18,151* | *19,309* | *477* | |
| 28 | Exposures in default | | | | | |
| 32 | Exposures in the form of units or shares in collective investment undertakings | - | 778 | 778 | - | |
| 33 | Equity | - | 1,453 | 1,453 | - | |
| 34 | Other items | 15 | 28,025 | 28,040 | - | |
| **35** | **TOTAL STANDARDISED APPROACH** | **13,546** | **413,539** | **427,086** | **8,099** | **1,827** |
| **36** | **TOTAL** | **40,859** | **1,453,116** | **1,493,975** | **22,071** | **3,530** |

| In millions of euros | | 31 December 2016 Proforma | | | | |
|---|---|---|---|---|---|---|
| | | Gross exposure | | | | |
| | | Defaulted exposures | Non-defaulted exposures | Total | Specific provisions | Collective provisions |
| 1 | Central governments or central banks | 109 | 284,708 | 284,817 | 6 | |
| 2 | Institutions | 449 | 51,250 | 51,699 | 188 | |
| 3 | Corporates | 17,960 | 469,828 | 487,787 | 9,428 | |
| *4* | *of which specialised lending* | *1,992* | *49,258* | *51,250* | *996* | |
| *5* | *of which SMEs* | *4,871* | *33,467* | *38,338* | *2,456* | |
| 6 | Retail | 13,344 | 244,324 | 257,669 | 6,621 | |
| *7* | *Secured by real estate property* | *4,679* | *148,496* | *153,175* | *1,321* | |
| *8* | *SMEs* | *592* | *10,558* | *11,150* | *163* | |
| *9* | *Non-SMEs* | *4,087* | *137,938* | *142,025* | *1,158* | |
| *10* | *Qualifying revolving* | *1,345* | *21,007* | *22,352* | *873* | |
| *11* | *Other retail* | *7,320* | *74,822* | *82,142* | *4,428* | |
| *12* | *SMEs* | *3,430* | *27,197* | *30,626* | *1,974* | |
| *13* | *Non-SMEs* | *3,890* | *47,625* | *51,515* | *2,454* | |
| 14 | Equity | 1 | 351 | 352 | - | |
| **15** | **TOTAL IRB APPROACH** | **31,864** | **1,050,460** | **1,082,324** | **16,242** | **1,867** |
| 16 | Central governments or central banks | 196 | 33,167 | 33,362 | 2 | |
| 17 | Regional governments or local authorities | 52 | 5,329 | 5,381 | 6 | |
| 18 | Public sector entities | 68 | 16,763 | 16,830 | 5 | |
| 19 | Multilateral development banks | - | 6 | 6 | - | |
| 20 | International organisations | - | 1,165 | 1,165 | - | |
| 21 | Institutions | 12 | 12,155 | 12,167 | 9 | |
| 22 | Corporates | 4,840 | 109,264 | 114,104 | 3,176 | |
| *23* | *of which SMEs* | *1,046* | *14,004* | *15,050* | *673* | |
| 24 | Retail | 6,095 | 103,976 | 110,071 | 4,205 | |
| *25* | *of which SMEs* | *1,940* | *29,786* | *31,727* | *1,219* | |
| 26 | Exposures secured by mortgages on immovable property | 3,671 | 79,902 | 83,573 | 1,417 | |
| *27* | *of which SMEs* | *993* | *12,272* | *13,265* | *392* | |
| 28 | Exposures in default | | | | | |
| 32 | Exposures in the form of units or shares in collective investment undertakings | - | 1,278 | 1,278 | - | |
| 33 | Equity | - | 1,682 | 1,682 | - | |
| 34 | Other items | 16 | 28,091 | 28,106 | - | |
| **35** | **TOTAL STANDARDISED APPROACH** | **14,948** | **392,777** | **407,726** | **8,820** | **1,512** |
| **36** | **TOTAL** | **46,812** | **1,443,238** | **1,490,050** | **25,063** | **3,379** |

## ➤ TABLE 39: DEFAULTED EXPOSURES AND PROVISIONS BY GEOGRAPHICAL BREAKDOWN (EU CR1-C)

| *In millions of euros* | | 31 December 2017 | | | | |
|---|---|---|---|---|---|---|
| | | Gross exposure | | | | |
| | | Defaulted exposures | Non-defaulted exposures | Total | Specific provisions | Collective provisions |
| **Europe(*)** | | **35,134** | **1,065,905** | **1,101,039** | **18,981** | |
| | France | 8,879 | 463,808 | 472,687 | 5,026 | |
| | Belgium | 2,816 | 167,222 | 170,038 | 1,153 | |
| | Luxembourg | 361 | 36,760 | 37,120 | 135 | |
| | Italy | 17,205 | 137,051 | 154,257 | 9,613 | |
| | United Kingdom | 1,569 | 62,658 | 64,227 | 693 | |
| | Germany | 599 | 50,781 | 51,380 | 347 | |
| | Netherlands | 199 | 29,901 | 30,100 | 67 | |
| | Other European countries | 3,506 | 117,723 | 121,229 | 1,945 | |
| **North America** | | **1,213** | **214,122** | **215,335** | **405** | |
| **Asia Pacific** | | **276** | **85,896** | **86,171** | **105** | |
| | Japan | 12 | 16,823 | 16,835 | 2 | |
| | North Asia | 12 | 31,227 | 31,239 | 8 | |
| | South East Asia (ASEAN) | 113 | 17,920 | 18,033 | 36 | |
| | Indian peninsula & Pacific | 139 | 19,925 | 20,065 | 59 | |
| **Rest of the World** | | **4,237** | **87,194** | **91,431** | **2,579** | |
| | Turkey | 505 | 29,245 | 29,749 | 325 | |
| | Mediterranean | 795 | 11,045 | 11,839 | 576 | |
| | Gulf States & Africa | 1,509 | 16,287 | 17,797 | 653 | |
| | Latin America | 395 | 15,650 | 16,045 | 272 | |
| | Other countries | 1,034 | 14,967 | 16,000 | 753 | |
| **TOTAL** | | **40,859** | **1,453,116** | **1,493,975** | **22,071** | **3,530** |

(*) *Within the European Free Trade Association, EFTA*

| *In millions of euros* | | Gross exposure | | | | 31 December 2016 Proforma |
|---|---|---|---|---|---|---|
| | | Defaulted exposures | Non-defaulted exposures | Total | Specific provisions | Collective provisions |
| Europe[(*)] | | 39,017 | 1,023,914 | 1,062,931 | 20,741 | |
| | France | 9,825 | 408,739 | 418,565 | 5,008 | |
| | Belgium | 3,088 | 171,134 | 174,222 | 923 | |
| | Luxembourg | 456 | 41,419 | 41,875 | 220 | |
| | Italy | 19,540 | 133,036 | 152,576 | 11,175 | |
| | United Kingdom | 1,482 | 56,708 | 58,190 | 666 | |
| | Germany | 710 | 51,061 | 51,771 | 405 | |
| | Netherlands | 131 | 45,957 | 46,088 | 35 | |
| | Other European countries | 3,785 | 115,859 | 119,644 | 2,309 | |
| North America | | 1,963 | 220,984 | 222,947 | 923 | |
| Asia Pacific | Asia Pacific | 323 | 103,935 | 104,258 | 108 | |
| | Japan | 1 | 36,305 | 36,307 | 0 | |
| | North Asia | 18 | 29,446 | 29,464 | 13 | |
| | South East Asia (ASEAN) | 119 | 18,181 | 18,300 | 30 | |
| | Indian peninsula & Pacific | 185 | 20,003 | 20,188 | 65 | |
| Rest of the World | | 5,509 | 94,405 | 99,914 | 3,290 | |
| | Turkey | 566 | 32,490 | 33,055 | 385 | |
| | Mediterranean | 854 | 12,538 | 13,391 | 582 | |
| | Gulf States & Africa | 1,802 | 17,038 | 18,840 | 1,032 | |
| | Latin America | 483 | 17,153 | 17,637 | 289 | |
| | Other countries | 1,805 | 15,187 | 16,991 | 1,003 | |
| **TOTAL** | | **46,812** | **1,443,238** | **1,490,050** | **25,063** | **3,379** |

*(*) Within the European Free Trade Association, EFTA*

## TABLE 40: DEFAULTED EXPOSURES AND PROVISIONS BY INDUSTRY (EU CR1-B)

| *In millions of euros* | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | Gross exposure | | | | |
| | Defaulted exposures | Non-defaulted exposures | Total | Specific provisions | Collective provisions |
| Agriculture, food, tobacco | 1,628 | 46,520 | 48,148 | 864 | |
| Insurance | 19 | 11,795 | 11,815 | 5 | |
| Chemicals excluding pharmaceuticals | 93 | 15,212 | 15,305 | 70 | |
| Building & public works | 4,033 | 29,085 | 33,118 | 2,200 | |
| Retail trade | 1,351 | 38,026 | 39,377 | 883 | |
| Energy excluding electricity | 1,208 | 24,311 | 25,519 | 614 | |
| Equipment excluding IT electronic | 1,532 | 40,860 | 42,391 | 827 | |
| Finance | 1,261 | 313,735 | 314,996 | 730 | |
| Real estate | 4,452 | 85,214 | 89,666 | 2,218 | |
| Information technologies | 352 | 19,207 | 19,558 | 203 | |
| Minerals, metals & materials (including cement, packaging, etc.) | 1,438 | 27,413 | 28,851 | 857 | |
| Wholesale trade | 2,636 | 59,479 | 62,115 | 1,653 | |
| Private individual | 14,295 | 374,252 | 388,547 | 7,737 | |
| Healthcare & pharmaceuticals | 166 | 22,712 | 22,879 | 56 | |
| Services to public authorities (electricity, gas, water, etc.) | 442 | 36,905 | 37,347 | 192 | |
| Business services | 1,881 | 70,351 | 72,232 | 915 | |
| Communication services | 302 | 15,926 | 16,228 | 77 | |
| Sovereign | 166 | 117,143 | 117,309 | 25 | |
| Transportation & storage | 1,354 | 45,218 | 46,572 | 557 | |
| Other | 2,251 | 59,749 | 62,000 | 1,388 | |
| **TOTAL** | **40,859** | **1,453,116** | **1,493,975** | **22,071** | **3,530** |

| *In millions of euros* | 31 December 2016 Proforma | | | | |
|---|---|---|---|---|---|
| | Gross exposure | | | | |
| | Defaulted exposures | Non-defaulted exposures | Total | Specific provisions | Collective provisions |
| Agriculture, food, tobacco | 1,700 | 44,125 | 45,825 | 1,027 | |
| Insurance | 41 | 14,978 | 15,019 | 21 | |
| Chemicals excluding pharmaceuticals | 133 | 15,260 | 15,393 | 77 | |
| Building & public works | 4,584 | 29,158 | 33,743 | 2,680 | |
| Retail trade | 1,514 | 33,731 | 35,245 | 955 | |
| Energy excluding electricity | 1,882 | 28,588 | 30,470 | 714 | |
| Equipment excluding IT electronic | 1,945 | 39,815 | 41,759 | 1,094 | |
| Finance | 1,628 | 312,203 | 313,831 | 961 | |
| Real estate | 4,905 | 80,854 | 85,759 | 2,234 | |
| Information technologies | 529 | 17,394 | 17,923 | 284 | |
| Minerals, metals & materials (including cement, packaging, etc.) | 1,713 | 29,022 | 30,735 | 986 | |
| Wholesale trade | 3,030 | 58,387 | 61,417 | 1,946 | |
| Private individual | 15,966 | 359,251 | 375,216 | 8,534 | |
| Healthcare & pharmaceuticals | 266 | 20,145 | 20,411 | 87 | |
| Services to public authorities (electricity, gas, water, etc.) | 497 | 35,545 | 36,042 | 209 | |
| Business services | 1,796 | 74,085 | 75,882 | 935 | |
| Communication services | 328 | 17,295 | 17,623 | 100 | |
| Sovereign | 199 | 132,555 | 132,754 | 25 | |
| Transportation & storage | 1,491 | 44,946 | 46,437 | 631 | |
| Other | 2,664 | 55,901 | 58,566 | 1,563 | |
| **TOTAL** | **46,812** | **1,443,238** | **1,490,050** | **25,063** | **3,379** |

The cost of risk and the changes in impairments related to credit risk are presented in the consolidated financial statements - Note 2.g - *Cost of risk*.

### TABLE 41: AGEING OF PAST DUE EXPOSURES(*) (CR1-D)

| In millions of euros | 31 December 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-defaulted exposures | | | | | | | Defaulted exposures | | |
| | Up to 30 days | Between 30 days and 60 days | Between 60 days and 90 days | Between 90 days and 180 days | Between 180 days and 1 year | More than 1 year | Total | Between 90 days and 180 days | Between 180 days and 1 year | More than 1 year |
| Loans | 8,358 | 3,427 | 1,202 | 423 | 235 | 437 | 14,082 | 1,303 | 1,199 | 31,956 |
| Debt securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 261 |
| **TOTAL** | **8,358** | **3,427** | **1,202** | **423** | **235** | **437** | **14,082** | **1,303** | **1,199** | **32,217** |

| In millions of euros | 31 December 2016 Proforma | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-defaulted exposures | | | | | | | Defaulted exposures | | |
| | Up to 30 days | Between 30 days and 60 days | Between 60 days and 90 days | Between 90 days and 180 days | Between 180 days and 1 year | More than 1 year | Total | Between 90 days and 180 days | Between 180 days and 1 year | More than 1 year |
| Loans | 7,374 | 3,130 | 1,122 | 298 | 167 | 334 | 12,425 | 1,468 | 1,506 | 35,263 |
| Debt securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 364 |
| **TOTAL** | **7,374** | **3,130** | **1,122** | **298** | **167** | **334** | **12,425** | **1,468** | **1,506** | **35,627** |

*(*) Based on a prudential scope, gross exposure (balance sheet) before collateral or other credit risk mitigation effects.*



## RESTRUCTURED LOANS [Audited]

When a borrower is bordering on or in financial difficulties, he may receive a concession from the bank that would otherwise not have been granted had the borrower not met with financial difficulty. The concession may be:

- a change to the contract terms and conditions;
- partial or total refinancing of the debt.

The loan is then said to be "restructured". It must retain the status of "restructured" during a period of observation, known as a probation period, for at least two years. The concept of restructuring is described in the accounting principles (note 1.c.5 to the consolidated financial statements).

According to the principles for identifying the restructured exposure amounts for the Group as a whole, for the non-retail business, exposures are identified individually during the loan process, notably in the Credit Committees. As for restructured exposures for retail customers, they are usually identified via a systematic process requiring the use of algorithms whose parameters are validated by the Risk and Finance Functions. A process is being set up that will make it possible to decide on the removal of the "restructured" status following the probation period, regardless of the client category.

Information on restructured loans is reported to the supervisory authority on a quarterly basis.

The tables that follow show the gross value and impairment amounts of doubtful loans that have been restructured, as well as restructured loans subsequently reclassified as non-doubtful loans.

## TABLE 42: RESTRUCTURED LOANS BY ASSET CLASS [Audited]

| In millions of euros | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | | | | of which doubtful outstandings | | |
| | Gross amount | Impairment provisions | Net amount | Gross amount | Impairment provisions | Net amount |
| **Loans and advances** | **10,956** | **(3,808)** | **7,149** | **6,670** | **(3,135)** | **3,535** |
| Central banks and central governments | 41 | (1) | 40 | 4 | (1) | 3 |
| Corporate | 5,249 | (2,110) | 3,138 | 4,298 | (2,055) | 2,243 |
| Institutions | 12 | (1) | 11 | 12 | (1) | 11 |
| Retail | 5,654 | (1,695) | 3,959 | 2,356 | (1,077) | 1,279 |
| **Securities** | **74** | **(14)** | **60** | **74** | **(14)** | **60** |
| **Off-balance sheet commitments** | **304** | **(6)** | **298** | **90** | **(6)** | **85** |
| **TOTAL** | **11,334** | **(3,828)** | **7,506** | **6,834** | **(3,154)** | **3,679** |

| In millions of euros | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | | | of which doubtful outstandings | | |
| | Gross amount | Impairment provisions | Net amount | Gross amount | Impairment provisions | Net amount |
| **Loans and advances** | **12,823** | **(4,092)** | **8,731** | **7,503** | **(3,537)** | **3,966** |
| Central banks and central governments | 31 | - | 31 | 4 | - | 4 |
| Corporate | 6,169 | (2,274) | 3,895 | 4,832 | (2,220) | 2,612 |
| Institutions | 200 | (46) | 154 | 50 | (34) | 16 |
| Retail | 6,423 | (1,772) | 4,651 | 2,617 | (1,283) | 1,334 |
| **Securities** | **2** | **(1)** | **1** | **2** | **(1)** | **1** |
| **Off-balance sheet commitments** | **291** | **(4)** | **287** | **258** | **(1)** | **257** |
| **TOTAL** | **13,116** | **(4,097)** | **9,019** | **7,763** | **(3,539)** | **4,224** |

## TABLE 43: RESTRUCTURED LOANS BY GEOGRAPHICAL REGION [Audited]

| In millions of euros | | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | of which doubtful outstandings | | |
| | | Gross amount | Impairment provisions | Net amount | Gross amount | Impairment provisions | Net amount |
| **Europe** | | **9,349** | **(3,279)** | **6,070** | **5,709** | **(2,662)** | **3,048** |
| | France | 2,549 | (1,067) | 1,482 | 1,094 | (541) | 553 |
| | Belgium | 290 | (105) | 185 | 227 | (104) | 123 |
| | Luxembourg | 312 | (53) | 258 | 130 | (53) | 77 |
| | Italy | 2,990 | (1,266) | 1,724 | 2,635 | (1,233) | 1,402 |
| | Germany | 461 | (66) | 395 | 248 | (44) | 204 |
| | Other European countries | 2,747 | (722) | 2,025 | 1,376 | (687) | 689 |
| **North America** | | **572** | **(66)** | **507** | **222** | **(62)** | **160** |
| **Asia Pacific** | | **39** | **(9)** | **30** | **38** | **(9)** | **29** |
| **Rest of the World** | | **1,374** | **(474)** | **900** | **864** | **(422)** | **442** |
| | Turkey | 293 | (52) | 241 | 16 | (11) | 4 |
| | Gulf States & Africa | 357 | (153) | 204 | 292 | (153) | 139 |
| | Other countries | 724 | (269) | 454 | 557 | (258) | 299 |
| **TOTAL** | | **11,334** | **(3,828)** | **7,506** | **6,834** | **(3,154)** | **3,679** |

| In millions of euros | | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | of which doubtful outstandings | | |
| | | Gross amount | Impairment provisions | Net amount | Gross amount | Impairment provisions | Net amount |
| **Europe** | | **10,770** | **(3,370)** | **7,400** | **6,311** | **(2,843)** | **3,468** |
| | France | 3,176 | (1,071) | 2,105 | 1,485 | (727) | 758 |
| | Belgium | 380 | (110) | 270 | 257 | (102) | 155 |
| | Luxembourg | 372 | (74) | 298 | 151 | (73) | 78 |
| | Italy | 3,140 | (1,164) | 1,976 | 2,573 | (1,112) | 1,461 |
| | Germany | 467 | (77) | 390 | 213 | (65) | 148 |
| | Other European countries | 3,235 | (874) | 2,361 | 1,632 | (764) | 868 |
| **North America** | | **654** | **(131)** | **523** | **425** | **(124)** | **301** |
| **Asia Pacific** | | **68** | **(21)** | **47** | **66** | **(20)** | **46** |
| **Rest of the World** | | **1,624** | **(575)** | **1,049** | **961** | **(552)** | **409** |
| | Turkey | 265 | (7) | 258 | 12 | (7) | 5 |
| | Gulf States & Africa | 476 | (195) | 281 | 299 | (193) | 106 |
| | Other countries | 883 | (373) | 510 | 650 | (352) | 298 |
| **TOTAL** | | **13,116** | **(4,097)** | **9,019** | **7,763** | **(3,539)** | **4,224** |



# CREDIT RISK MITIGATION TECHNIQUES

Credit risk mitigants (CRM) are taken into account according to the regulation. In particular, their effect is assessed under conditions characteristic of an economic downturn. The CRM fall into two main categories:

- funded credit protection (collateral) pledged to the Bank is used to secure timely performance of a borrower's financial obligations;
- unfunded credit protection (personal guarantee) is the commitment by a third party to replace the primary obligor in the event of default. By extension, credit insurance and credit derivatives (purchased protection) fall into this category.

For the scope under the IRB Approach, personal guarantees and collaterals are taken into account, provided they are eligible, by decreasing the Loss Given Default (LGD) parameter corresponding to an increase in the Global Recovery Rate (GRR) that applies to the transactions of the banking book. The value taken into consideration takes account, where relevant, of currency and maturity mismatches and, for funded credit protection, of a haircut applied to the market value of the pledged asset based on a default scenario during an economic downturn. The amount of unfunded credit protection to which a haircut is applied depends on the enforceable nature of the commitment and the risk of simultaneous default by the borrower and guarantor.

For the scope under the standardised approach, unfunded credit protection is taken into account provided it is, by applying the more favourable risk weight of the guarantor to a portion of the secured exposure adjusted for currency and maturity mismatches. Funded credit protection is taken into account as a decrease in the exposure, after adjustment for any currency and maturity mismatches and a discount to take account of volatility in market value for financial security collaterals.

The assessment of credit risk mitigating effect follows a methodology that is approved for each activity and is used throughout the Group. These techniques are monitored in accordance with the monitoring and portfolio management procedures described in the *Credit risk management policy* section.

Close to 70% of exposure to property loans is concentrated in our two main domestic markets (France, Belgium). In view of the specific features of these markets (amortising long-term financing, primarily at fixed rates), the LTV (Loan-to-value) ratio is not a key monitoring indicator at Group level.

## FUNDED CREDIT PROTECTION

Funded credit protection is divided into two categories:

- financial collateral: this consists of cash amounts (including gold), mutual fund units, equities (listed or unlisted) and bonds;
- other diverse forms of collateral: these include real estate mortgages or ship mortgages, pledge of equipment or inventories, transfer of commercial receivables or any other rights to an asset of the counterparty.

To be eligible, funded credit protection must fulfil the following conditions:

- the value of the collateral must not be highly correlated with the risk on the obligor (in particular, shares of the obligor are not eligible);
- the pledge must be documented;
- the pledged asset must be traded on a liquid secondary market to enable rapid resale;
- the Bank must have a consistently updated value of the pledged asset;
- the Bank must have reasonable comfort in the potential appropriation and realisation of the asset concerned.

In the Retail Banking business, the presence or absence of a particular type of collateral may, depending on the coverage ratio, lead to assigning the exposure to particular LGD class on a statistical basis.

## UNFUNDED CREDIT PROTECTION

Guarantors are subject to the same rigorous credit risk assessment process as primary obligors and are assigned risk parameters according to similar methods and procedures.

Guarantees are granted by the obligor's parent company or by other entities such as financial institutions. Other examples of guarantees are credit derivatives, guarantees from public insurers for export financing or private insurers.

Consideration of a guarantee consists of determining the average amount the Bank can expect to recover if the borrower defaults and the guarantee is called in. It depends on the amount of the guarantee, the risk of simultaneous default by the borrower and the guarantor (which is a function of the probability of default of the borrower, of the guarantor, and the degree of correlation between borrower and guarantor default, which is high if they belong to the same business group or the same sector and low if not) and the enforceable nature of the guarantee.

## OPTIMISING CREDIT RISK MANAGEMENT THROUGH CDS

As part of its role of optimising credit risk management for CIB, Portfolio Management (PM) sets up hedges using credit derivatives, and mainly credit default swaps (CDS). These CDS are used as part of an active management policy, the main aim being to hedge migration and concentration risks and manage major exposures. The underlying assets are loans made to large corporates by CIB Corporate Banking, and occasionally those made by Retail Banking.

Considered to be guarantees and treated under the IRB approach, CDS hedges totalled EUR 439 million at 31 December 2017, compared with EUR 368 million at 31 December 2016. Provided they are eligible, they have the effect of decreasing the estimated Loss Given Default for the underlying asset, and, therefore, reducing its consumption in terms of risk-weighted assets. At 31 December 2017, the reduction in risk-weighted assets resulting from hedging operations via CDS (EU CR7) concerns only the corporate asset class, and represents EUR 197 million.

The following tables give for the central governments and central banks, corporates and institutions portfolios the breakdown of the risk mitigation resulting from all the collaterals and guarantees relating to the portfolio of loans and credit commitments for all the Group's business lines.

## TABLE 44: IRBA – CREDIT RISK MITIGATION FOR SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS

| *In millions of euros* | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Risk mitigation | | | | Risk mitigation | | |
| | Total exposure | Guarantees and credit derivatives | Collateral | Total guarantees and collaterals | Total exposure | Guarantees and credit derivatives | Collateral | Total guarantees and collaterals |
| Central governments and central banks | 275,600 | 3,994 | 5 | 3,999 | 284,817 | 3,839 | 1,083 | 4,923 |
| Corporates | 487,586 | 80,065 | 53,890 | 133,956 | 487,787 | 73,344 | 66,935 | 140,279 |
| Institutions | 46,771 | 3,358 | 1,024 | 4,382 | 51,699 | 3,097 | 1,272 | 4,369 |
| **TOTAL** | **809,958** | **87,417** | **54,920** | **142,337** | **824,304** | **80,280** | **69,291** | **149,570** |

## TABLE 45: STANDARDISED APPROACH – CREDIT RISK MITIGATION FOR SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS

| *In millions of euros* | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Risk mitigation | | | | Risk mitigation | | |
| | Total exposure | Guarantees and credit derivatives | Collateral | Total guarantees and collaterals | Total exposure | Guarantees and credit derivatives | Collateral | Total guarantees and collaterals |
| Central governments and central banks | 37,020 | 0 | 2 | 2 | 37,154 | 0 | 0 | 0 |
| Corporates | 139,188 | 3,339 | 25,092 | 28,431 | 133,743 | 459 | 22,204 | 22,663 |
| Institutions | 17,690 | 8 | 17 | 25 | 16,132 | 0 | 1 | 1 |
| **TOTAL** | **193,898** | **3,347** | **25,111** | **28,458** | **187,029** | **459** | **22,205** | **22,664** |

# 5.5 Securitisation in the banking book

Securitisation means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having the following characteristics:

- payments made in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;
- the subordination of tranches determines the distribution of losses during the life of the risk transfer.

Any commitment (including derivatives and liquidity lines) granted to a securitisation operation must be treated as a securitisation exposure. Most of these commitments are held in the prudential banking book (section 5.5). Commitments held in the trading book are set out in *Market risk* (section 5.7).

The securitisation transactions described below are those that meet the definition set out in Regulation (EU) No. 575/2013.

Assets securitised as part of proprietary securitisation transactions that meet Basel eligibility criteria, particularly in terms of significant risk transfer, are excluded from the credit risk framework. Only positions held by the Bank and any commitments subsequently granted to the securitisation structure are included in the capital requirement calculation as explained in this section, with the exception of positions previously weighted at 1,250% deducted from CET1 (EUR 163 million at 31 December 2017).

Proprietary securitisation exposures that do not meet the Basel eligibility criteria remain in the portfolio to which they were initially assigned. The capital requirement is calculated as if they had not been securitised and is included in the section on credit risk.

Consequently, the securitisation transactions discussed below only cover:

- the programmes originated by the Group deemed to be efficient under Basel 3 regulatory framework;
- the programmes sponsored by the Group, in which it has retained positions;
- the programmes originated by other parties to which the Group has subscribed.



## ACCOUNTING METHODS [Audited]

(See note 1 to the consolidated financial statements – *Summary of significant accounting policies applied by the Group*).

The accounting classification of securitisation positions in the banking book is shown in Table 7: *Prudential balance sheet by type of risk (EU LI1-B)*.

Securitisation positions classified as "Loans and receivables" are measured according to the amortised cost method as described in note 1.c.1 to the consolidated financial statements: the effective interest rate used to recognise interest income is measured on the basis of an expected cash flow model.

For assets that have been reclassified from another accounting category (see note 1.c.6), upward revisions of recoverable estimated cash flows are recognised as an adjustment to the effective interest rate as of the date the estimate is changed. Downward revisions are reflected by an impairment in the carrying value. The same applies to all downward revisions of recoverable estimated cash flows of assets not reclassified from another accounting category. Impairment losses are recognised on these assets in accordance with the principles set out in note 1.c.5 to the consolidated financial statements concerning loans and receivables.

Securitisation positions classified on an accounting basis as "available-for-sale assets" are measured at their fair value (see notes 1.c.3 and 1.c.10 to the consolidated financial statements). Any changes to these amounts, excluding revenues recognised according to the effective interest rate method, are presented in a specific subsection of equity. On the sale of these securities, these unrealised gains or losses previously recognised as equity are recycled to the income statement. The same applies to impairment losses. The fair value is determined in accordance with the principles set out in note 1.c.10 to the consolidated financial statements.

Proceeds from the sale of securitisation positions are recognised in accordance with rules for the category of origin of positions sold.

Therefore, for positions classified as "Loans and advances" and "Available-for-sale financial assets":

- proceeds from the sale of non-impaired positions are recognised in Revenues under "Net gain on available-for-sale financial assets and other financial assets not measured at fair value";
- capital losses from disposals of impaired positions (either individually or collectively) are recognised under cost of risk;
- capital gains from disposals of impaired positions (either individually or collectively) are recognised under cost of risk in the amount equal to the net amount previously recognised: any balance is recognised under "Net gain on available-for-sale financial assets and other financial assets not measured at fair value".

For positions classified at "Fair value through profit or loss", proceeds from asset sales are recognised as "Net gains on financial instruments measured at fair value through profit or loss".

Synthetic securitisations in the form of credit default swaps follow the same accounting rules as transaction derivatives (see note 4.a to the consolidated financial statement).

Assets pending securitisation are recognised:

- in the "loans and receivables" category and in the prudential banking portfolio in the case of exposures resulting from the bank's balance sheet, for which the bank will be originator in the future securitisation within the meaning of Basel 3;
- in the "fair value through profit or loss" category and in the prudential banking portfolio in the case of exposures purchased and put into warehousing, for which the bank will be sponsor in the future securitisation within the meaning of regulation.

## SECURITISATION RISK MANAGEMENT [Audited]

The risk management framework for securitisation is part of the risk management described in section 5.3.

The Business is the first line of defence with responsibility for understanding all the risks incurred in order to ensure correct evaluation. Risk acts independently, as a second line of defence.

Positions taken are monitored to measure changes in individual and portfolio risks.

The monitoring of securitised assets covers credit, counterparty, market and liquidity risks on the underlying assets.

### CREDIT RISK ON SECURITISED ASSETS

Securitisation assets outside the trading book are subject to specific approval by the Credit Committees. For new transactions, a credit proposal is prepared by the business, and a comprehensive risk analysis is carried out by the Risk analysts before presentation to the Credit Committee. All approvals are subject to an annual review. Exposures are monitored to ensure that they do not exceed the limits set by the Credit Committees.

The risk exposure of securitisation tranches is intrinsically linked to that of the underlying assets, whether for securitisation or re-securitisation. Through the customary governance of Credit Committees, the Group monitors changes in the quality of underlying assets for the entire duration of the programme concerned.

### COUNTERPARTY RISK ON SECURITISATION RELATED TO INTEREST RATES OR FX DERIVATIVES

Securitisation-related derivative instruments are also subject to the approval of the Securitisation Credit Committees. BNP Paribas integrates counterparty risk into the securitisation structure. The principles are the same as those described above in respect of credit risk.

### MARKET RISK WITHIN THE BANKING BOOK

On fixed rate ABS positions, a macro hedge consisted of fixed/variable rate swaps is put in place to cover interest rate risk. The hedge is recorded in accordance with the rules of hedge accounting.

### LIQUIDITY/FUNDING RISK

Securitisation positions are financed internally by the ALM – Treasury or via conduits sponsored by BNP Paribas.

## BNP PARIBAS SECURITISATION ACTIVITY [Audited]

The Group's activities in each of its roles as originator, sponsor and investor, are described below:

### TABLE 46: SECURITISED EXPOSURES AND SECURITISATION POSITIONS (HELD OR ACQUIRED) BY ROLE [Audited]

| *In millions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| **BNP Paribas role** | **Securitised exposures originated by BNP Paribas(*)** | **Securitised positions held or acquired (EAD)(**)** | **Securitised exposures originated by BNP Paribas(*)** | **Securitised positions held or acquired (EAD)(**)** |
| Originator | 6,738 | 6,303 | 4,939 | 4,685 |
| Sponsor | 44 | 14,832 | 2 | 15,320 |
| Investor | 0 | 4,794 | 0 | 6,134 |
| **TOTAL** | **6,782** | **25,929** | **4,941** | **26,139** |

(*) *Securitised exposures originated by the Group correspond to the underlying exposures recognised on the Group's balance sheet which have been securitised.*

(**) *Securitisation positions correspond to tranches retained in securitisation transactions originated or arranged by the Group, tranches acquired by the Group in securitisation transactions arranged by other parties, and off-balance sheet commitments. Excluding securitisation positions deducted from CET1 capital, since 31 December 2017.*



## PROPRIETARY SECURITISATION (ORIGINATOR)

Exposures retained in securitisation positions originated by BNP Paribas amounted to EUR 6.3 billion at 31 December 2017, corresponding to positions in efficient securitisation.

As part of the day-to-day management of its liquidity, the Group can securitise loans granted to Retail Banking customers (mortgages, consumer loans), as well as loans granted to corporate customers, in order to transform them into liquid assets.

At 31 December 2017, six main transactions are efficient due to significant risk transfer, and are included in the previous table. Three efficient securitisation programs were set up in 2017 by Personal Finance, French Retail Banking (in partnership with CIB) and BancWest (see paragraph *Securitised Exposures*).

Furthermore, for securitisation transactions that are inefficient under Basel rules, the securitised exposures are included in customer loans. As at 31 December 2017, BNP Paribas originated thirty-six securitisation transactions, for a total amount of EUR 69.4 billion of securitisation exposures. The main transactions concern: BNP Paribas Fortis (EUR 37.5 billion), BNP Paribas Personal Finance (EUR 17.1 billion), French Retail Banking (EUR 11.6 billion) and BNL (EUR 3 billion).

Three transactions took place in 2017, two by Personal Finance and one by BNL. These transactions do not reduce the regulatory capital calculated because no material risk transfer took place. The relevant exposures are therefore included in the section on credit risk (see section 5.4).

## SECURITISATION ON BEHALF OF CLIENTS AS SPONSOR

CIB Fixed Income Credit and Commodities carries out securitisation programmes on behalf of its customers. Under these programmes, liquidity facilities and, where appropriate, guarantees are granted to special purpose entities. Commitments and positions retained or acquired by BNP Paribas on securitisations as sponsor on behalf of clients, amounted to EUR 14.8 billion at 31 December 2017.

### Short-term refinancing

At 31 December 2017, two consolidated multiseller conduits (Starbird and Matchpoint) were sponsored by the Group. These conduits, by seeking refinancing on the local short-term commercial paper market, are able to provide CIB clients, large corporates and institutions with an attractive financing solution in exchange for some of their loans (commercial and industrial loans, finance leases for automobiles or various equipment, credit card receivables, etc.).

BNP Paribas provides each of these conduits with a liquidity line which amounted to EUR 13.5 billion at 31 December 2017, compared with EUR 13.4 billion at 31 December 2016.

### Medium/long-term refinancing

In Europe and North America, the BNP Paribas Group's structuring platform provides securitisation solutions to its clients, based on products adapted to current conditions in terms of risk and liquidity. The total of these facilities, including the few residual positions retained, amounted to EUR 0.6 billion at 31 December 2017 compared with EUR 1.1 billion at 31 December 2016.

## SECURITISATION AS INVESTOR

The securitisation positions of BNP Paribas as an investor amounted to EUR 4.8 billion at 31 December 2017. This business is mainly carried out by CIB and Asset Management. It also includes the legacy positions held by BNP Paribas Fortis and managed in run-off.

CIB Fixed Income Credit and Commodities continued its securitisation activity as an investor, monitoring and managing a securitisation portfolio which represented a total of EUR 2.9 billion at 31 December 2017 compared with EUR 1.8 billion at 31 December 2016, attesting to new investments made in 2017.

Total exposure of the portfolio managed in run-off at CIB Fixed Income Credit and Commodities and Asset Management amounted to EUR 0.1 billion at 31 December 2017, down sharply compared to EUR 1.1 billion at 31 December 2016 as a result of asset sales.

BNP Paribas Fortis' portfolio of structured loans, which was not assigned to a business line and is housed in the "Corporate Centre", was worth EUR 1.7 billion at 31 December 2017 compared with EUR 2.3 billion at 31 December 2016. This portfolio is managed in run-off.

# SECURITISED EXPOSURES

At 31 December 2017, the main securitisation transactions recognised as effective are the following:

- one transaction initiated in 2016 by CIB Portfolio Management on a portfolio of large corporate loans in the amount of EUR 4.9 billion;
- one transaction initiated in 2017 by FRB in partnership with CIB Portfolio Management on a portfolio of large corporate loans in the amount of EUR 1.7 billion;
- one transaction initiated in 2017 by Personal Finance on a portfolio of consumer loans in the amount of EUR 0.1 billion.

BNP Paribas did not securitise for its own account revolving exposures subject to early amortisation treatment.



### ➤ TABLE 47: SECURITISED EXPOSURES ORIGINATED BY BNP PARIBAS

| *In millions of euros* | | Securitised exposures originated by BNP Paribas | |
|---|---|---|---|
| **Securitisation type** | **Calculation approach** | **31 December 2017** | **31 December 2016** |
| Traditional | IRBA | 0 | 2 |
| | Standard | 186 | 33 |
| **Sub-Total** | | **186** | **35** |
| Synthetic | IRBA | 6,596 | 4,906 |
| **TOTAL** | | **6,782** | **4,941** |

## TABLE 48: SECURITISED EXPOSURES BY BNP PARIBAS BY UNDERLYING ASSET CATEGORY(*)

| Originated securitised exposures *In millions of euros* | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | Originator | | Sponsor(**) | | |
| | Traditional | Synthetic | Traditional | Synthetic | Total |
| Residential mortgages | 19 | | 89 | | 108 |
| Consumer loans | 122 | | 3,736 | | 3,858 |
| Credit card receivables | | | 1,070 | | 1,070 |
| Loans to corporates | | 6,596 | 535 | | 7,131 |
| Commercial and industrial loans | | | 4,515 | | 4,515 |
| Commercial real-estate properties | | | 47 | | 47 |
| Finance leases | | | 4,191 | | 4,191 |
| Other assets | 1 | | 692 | | 693 |
| **TOTAL** | **142** | **6,596** | **14,876** | | **21,613** |

| Originated securitised exposures *In millions of euros* | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | Originator | | Sponsor(**) | | |
| | Traditional | Synthetic | Traditional | Synthetic | Total |
| Residential mortgages | 32 | | 314 | | 346 |
| Consumer loans | | | 3,454 | | 3,454 |
| Credit card receivables | | | 1,437 | | 1,437 |
| Loans to corporates | | 4,906 | 915 | | 5,821 |
| Commercial and industrial loans | | | 4,298 | | 4,298 |
| Commercial real-estate properties | | | 17 | | 17 |
| Finance leases | | | 3,990 | | 3,990 |
| Other assets | 1 | | 935 | | 936 |
| **TOTAL** | **33** | **4,906** | **15,361** | | **20,300** |

*(*) This breakdown is based on the predominant underlying asset of the securitisation.*
*(**) Within the securitised exposures on behalf of clients, EUR 44 millions correspond to originated exposures (from BNP Paribas balance sheet) at 31 December 2017 (compared with EUR 2 million at 31 December 2016).*

## SECURITISATION POSITIONS

### TABLE 49: SECURITISATION POSITIONS HELD OR ACQUIRED BY UNDERLYING ASSET CATEGORY

| *In millions of euros* | | Securitisation positions held or acquired (EAD)(**) | |
|---|---|---|---|
| **BNP Paribas role** | **Asset category(*)** | **31 December 2017** | **31 December 2016** |
| Originator | Residential mortgages | 19 | 32 |
| | Consumer loans | 94 | 0 |
| | Loans to corporates | 6,189 | 4,653 |
| | Other assets | 1 | 1 |
| **TOTAL ORIGINATOR** | | **6,303** | **4,685** |
| Sponsor | Residential mortgages | 107 | 235 |
| | Consumer loans | 3,739 | 3,457 |
| | Credit card receivables | 1,070 | 1,437 |
| | Loans to corporates | 529 | 950 |
| | Commercial and industrial loans | 4,515 | 4,298 |
| | Commercial real-estate properties | 47 | 17 |
| | Finance leases | 4,192 | 3,990 |
| | Other assets | 632 | 935 |
| **TOTAL SPONSOR** | | **14,832** | **15,320** |
| Investor | Residential mortgages | 1,861 | 1,327 |
| | Consumer loans | 1,846 | 2,538 |
| | Credit card receivables | 21 | 2 |
| | Loans to corporates | 752 | 1,317 |
| | Commercial real-estate properties | 0 | 397 |
| | Finance leases | 253 | 480 |
| | Other assets | 62 | 72 |
| **TOTAL INVESTOR** | | **4,794** | **6,134** |
| **TOTAL** | | **25,929** | **26,139** |

(*) *Based on the predominant asset class in the asset pool of the securitisation in which the position is held. If the underlying asset is a securitisation or re-securitisation position, regulations require the ultimate underlying asset of the relevant program to be reported.*
(**) *Excluding securitisation positions deducted from CET1 capital.*

## ➤ TABLE 50: SECURITISATION POSITIONS(*), EXPOSURE IN DEFAULT AND PROVISIONS BY UNDERLYING ASSET'S GEOGRAPHICAL REGION(**)

| | 31 December 2017 | | | | |
|---|---|---|---|---|---|
| | | EAD in default | | | |
| *In millions of euros* | EAD | Standardised approach | IRB approach | Total | Specific provisions |
| Europe | 11,231 | 55 | 1 | 56 | 6 |
| North America | 14,267 | 0 | 15 | 15 | 5 |
| Asia Pacific | 244 | 0 | 0 | 0 | 0 |
| Rest of the world | 187 | 0 | 12 | 12 | 0 |
| **TOTAL** | **25,929** | **55** | **28** | **84** | **11** |

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | | EAD in default | | | |
| *In millions of euros* | EAD | Standardised approach | IRB approach | Total | Specific provisions |
| Europe | 9,252 | 43 | 82 | 125 | 48 |
| North America | 15,916 | 0 | 45 | 45 | 6 |
| Asia Pacific | 657 | 0 | 0 | 0 | 0 |
| Rest of the world | 314 | 0 | 0 | 0 | 0 |
| **TOTAL** | **26,139** | **43** | **128** | **171** | **54** |

*(*) Excluding securitisation positions deducted from CET1 capital.*
*(**) This breakdown is based on the predominant underlying asset of the securitisation.*

Provisions on a portfolio basis totalled EUR 14 million at 31 December 2017, compared with EUR 66 million at 31 December 2016.

## ➤ TABLE 51: BANKING BOOK SECURITISATION POSITION QUALITY

| *In millions of euros* | Securitisation positions held or acquired (EAD)(*) | |
|---|---|---|
| Tranche quality | 31 December 2017 | 31 December 2016 |
| Senior tranche | 25,286 | 25,272 |
| Mezzanine tranche | 499 | 618 |
| First-loss tranche | 144 | 250 |
| **TOTAL** | **25,929** | **26,139** |

*(*) Excluding securitisation positions deducted from CET1 capital.*

At 31 December 2017, 98% of the securitisation positions held or acquired by the Group were senior tranches, stable compared with 31 December 2016, reflecting the high quality of the Group's portfolio. The corresponding risk weights are given in the following tables.

## RISK-WEIGHTED ASSETS

Under the standardised approach, risk-weighted assets are calculated by multiplying exposure at default by a risk weight based on an external rating of the securitisation position, as required by article 251 of Regulation (EU) No. 575/2013. In a small number of cases, a look-through approach may be applied. For positions having a rating of B+ or lower, or with no external rating, the regulations provide for either a weighting at 1,250%, or the deduction of Common Equity Tier 1 (CET1) capital. At 31 December 2017, the Group opted for the capital deduction. The standardised approach is used for securitisation investments made by BancWest and the Asset Management Division.

Under the IRB Approach, risk-weighted assets are calculated according to one of the following methods:

- for exposures with an external rating, the positions risk weight is determined using the so-called "ratings-based method", whereby the position's risk weight is determined directly according to its rating, from a correspondence table provided by the banking supervisor;
- for exposures that do not have an external rating, and if BNP Paribas is the originator or sponsor, the Group uses the Supervisory Formula Approach (SFA) when the necessary conditions according to article 259 1) b. of the CRR are fulfilled. In this approach, the risk weight is calculated from a formula provided by the banking supervisor that factors in the internal credit rating of the underlying asset portfolio, as well as the structure of the transaction (most notably the amount of credit enhancement subscribed out by the Group);
- the Internal Assessment Approach (IAA) is applied for liquidity facilities in the ABCP programmes of the BNP Paribas Fortis portfolio for which there are no external ratings. This approach has been approved by the BNB;
- in all other cases, Regulation (EU) No. 575/2013 stipulates either a weighting of 1,250% or the deduction of CET1 capital. At 31 December 2017, the Group opted for the capital deduction.

At 31 December 2017, the IRB Approach is used for positions held by CIB, French Retail Banking, BNL bc and BNP Paribas Fortis scope.

For rated securitisation positions, the Group uses external ratings from the Standard & Poor's, Moody's, Fitch, and DBRS rating agencies. The correspondence between these ratings and equivalent credit quality levels as required by the regulation framework is in accordance with the instructions issued by the supervisor.

### ➤ TABLE 52: SECURITISATION POSITIONS AND RISK-WEIGHTED ASSETS BY APPROACH

| *In millions of euros* | 31 December 2017 | | 31 December 2016 | | Variation | |
|---|---|---|---|---|---|---|
| **Calculation approach** | **Securitisation positions held or acquired (EAD)(*)** | **RWAs** | **Securitisation positions held or acquired (EAD)** | **RWAs** | **Securitisation positions held or acquired (EAD)** | **RWAs** |
| IRBA | 24,394 | 2,706 | 25,344 | 7,708 | (950) | (5,002) |
| Standardised | 1,535 | 776 | 795 | 755 | 740 | 21 |
| **TOTAL** | **25,929** | **3,482** | **26,139** | **8,463** | **(210)** | **(4,981)** |

*(*) Excluding securitisation positions deducted from CET1 capital since 31 December 2017.*

Risk-weighted assets corresponding to securitisation positions held or acquired by the Group amounted to EUR 3.5 billion at 31 December 2017, or 0.54% of BNP Paribas total risk-weighted assets, compared with EUR 8.5 billion at 31 December 2016 (1.3% of Group total risk-weighted assets).

### ➤ TABLE 53: SECURITISATION RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER

| | | Key driver | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | **31 December 2016** | **Asset size** | **Asset quality** | **Model updates** | **Methodology and policy** | **Acquisitions and disposals** | **Currency** | **Other** | **Total variation** | **31 December 2017** |
| Risk-Weight Assets - Securitisation | 8,463 | (3,512) | 743 | - | (2,034) | - | (247) | 68 | (4,981) | 3,482 |

The reduction in risk-weighted assets from securitisation relates primarily on the one hand to the reduction in securitisation exposures as a result of amortisation and disposals of programmes, and on the other hand, to the new treatment of tranches, previously weighted at 1,250% and now deducted from CET1 capital.

## TABLE 54: SECURITISATION POSITIONS AND RISK-WEIGHTED ASSETS BY RISK WEIGHT

*IRB approach*

| *In millions of euros* | 31 December 2017 | | | |
|---|---|---|---|---|
| | EAD | | RWAs | |
| Risk weight | Securitisation positions | Re-securitisation positions | Securitisation positions | Re-securitisation positions |
| 7% – 10% | 2,558 | | 232 | |
| 12% – 18% | 123 | | 49 | |
| 20% – 35% | 185 | | 103 | |
| 40% – 75% | 16 | | 17 | |
| 100% | 126 | | 134 | |
| 150% | | | | |
| 225% | | | | |
| 250% | 4 | | 10 | |
| 350% | | | | |
| 425% | 55 | | 261 | |
| 650% | 4 | | 11 | |
| 850% | | | | |
| **External ratings based method** | **3,072** | | **816** | |
| **1,250%(*)** | | | | |
| **Internal Assessment Approach (IAA)** | **741** | | **66** | |
| [0 – 7%] | 12,610 | | 862 | |
| [7% – 100%] | 7,955 | 1 | 759 | 0 |
| [100% – 350%] | | | | |
| [350% – 1,250%] | 16 | | 202 | |
| **Supervisory Formula Approach** | **20,581** | **1** | **1,823** | **0** |
| **TOTAL** | **24,393** | **1** | **2,705** | **0** |

*(*) Excluding securitisation positions deducted from CET1 capital.*

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| *In millions of euros* | 31 December 2016 | | | |
|---|---|---|---|---|
| | EAD | | RWAs | |
| **Risk weight** | **Securitisation positions** | **Re-securitisation positions** | **Securitisation positions** | **Re-securitisation positions** |
| 7% – 10% | 4,386 | | 397 | |
| 12% – 18% | 401 | | 138 | |
| 20% – 35% | 330 | 55 | 82 | 70 |
| 40% – 75% | 37 | 93 | 6 | 420 |
| 100% | 132 | 3 | 131 | 4 |
| 150% | | 0 | | 0 |
| 225% | | 50 | | 120 |
| 250% | 14 | | 20 | |
| 350% | | 10 | | 38 |
| 425% | 77 | | 240 | |
| 500% | | | | |
| 650% | 46 | | 310 | |
| 850% | | 20 | | 87 |
| **External ratings based method** | **5,421** | **232** | **1,324** | **738** |
| **1,250%** | **104** | **218** | **674** | **2,703** |
| **Internal Assessment Approach (IAA)** | **764** | **0** | **68** | **0** |
| [0 – 7%] | 10,604 | | 732 | |
| [7% – 100%] | 7,827 | 2 | 773 | 0 |
| [100% – 350%] | | 96 | | 213 |
| [350% – 1,250%] | 75 | | 483 | |
| **Supervisory Formula Approach** | **18,506** | **97** | **1,988** | **213** |
| **TOTAL** | **24,796** | **548** | **4,054** | **3,654** |

Out of the EUR 3.1 billion of securitisation positions with an external rating:

- 83% of EAD was rated above A+ and therefore had a risk weight of less than 10% at 31 December 2017, compared with 78% at 31 December 2016;
- the vast majority (94% of EAD) was rated above BBB+ at 31 December 2017 (a slight increase compared with 91% at 31 December 2016).

**Standardised approach**

| *In millions of euros* | 31 December 2017 | | | |
|---|---|---|---|---|
| | EAD | | RWAs | |
| Risk weight | Securitisation positions | Re-securitisation positions | Securitisation positions | Re-securitisation positions |
| 20% | 73 | | 15 | |
| 40% | | | | |
| 50% | 19 | | 10 | |
| 100% | 24 | | 24 | |
| 225% | | | | |
| 350% | 1 | | 3 | |
| **External ratings based method** | **117** | | **51** | |
| **1,250%(*)** | **0** | | **0** | |
| **Weighted average method** | **1,418** | | **725** | |
| **TOTAL** | **1,535** | **-** | **776** | **-** |

*(*) Excluding securitisation positions deducted from CET1 capital.*

| *In millions of euros* | 31 December 2016 | | | |
|---|---|---|---|---|
| | EAD | | RWAs | |
| Risk weight | Securitisation positions | Re-securitisation positions | Securitisation positions | Re-securitisation positions |
| 20% | 90 | | 18 | |
| 40% | | | | |
| 50% | 75 | | 37 | |
| 100% | 108 | | 108 | |
| 225% | | | | |
| 350% | 13 | | 45 | |
| **External ratings based method** | **285** | | **208** | |
| **1,250%** | **12** | | **152** | |
| **Weighted average method** | **498** | | **396** | |
| **TOTAL** | **795** | **-** | **755** | **-** |

Guarantees on securitisation positions amounted to EUR 0.4 billion as at 31 December 2017, compared with EUR 0.3 billion as at 31 December 2016.

# 5.6 Counterparty credit risk

Counterparty credit risk is the translation of the credit risk embedded in financial transactions, investments and/or settlement transactions between counterparties. Those transactions include bilateral contracts such as over-the-counter (OTC) derivatives contracts as well as contracts settled through clearing houses. The amount of this risk may vary over time in line with changing market parameters which then impacts the replacement value of the relevant transactions.

Counterparty risk lies in the event that a counterparty defaults on its obligations to pay the Bank the full present value of the flows relating to a transaction or a portfolio for which the Bank is a net receiver. Counterparty credit risk is also linked to the replacement cost of a derivative or portfolio in the event of counterparty default. Hence, it can be seen as a market risk in case of default or a contingent risk.

In respect of counterparty risk, the Risk Function (Risk) is structured according to five main priorities:

- measuring exposure to counterparty credit risk;
- checking and analysing these exposures and the limits that apply to them;
- introducing mechanisms to reduce risk;
- calculating and managing credit valuation adjustments (CVA);
- defining and implementing stress tests.



## COUNTERPARTY CREDIT RISK VALUATION

### COUNTERPARTY EXPOSURE CALCULATION

Exposure to counterparty risk is measured using two approaches:

#### Modelled exposure – Internal model approach

With regard to modelling counterparty risk exposure, the exposure at default (EAD) for counterparty risk is calculated based on the Effective Expected Positive Exposure (EEPE) indicator multiplied by the alpha regulatory factor as defined in article 284-4 of Regulation (EU) No. 575/2013. The Effective Expected Positive Exposure (EEPE) is measured using an internal exposure valuation model to determine exposure profiles. The model was developed by the Group and approved by the supervisor.

The principle of the model is to simulate the main risk factors, such as commodity and equity prices, interest rates and foreign exchange rates, affecting the counterparty exposure, based on their initial respective values. The Bank uses Monte-Carlo simulations to generate thousands of time trajectories (corresponding to thousands of potential market scenarios) to define potential changes in risk factors. The diffusion processes used by the model are calibrated on the most recent historic data set over a four-year period.

Based on all the risk factor simulations, the model assesses the value of the positions from the simulation date to the transaction maturity date (from one day to more than thirty years for the longest-term transactions) to generate an initial set of exposure profiles.

Exposure may be reduced by a Master Agreement, and may also be covered by a Credit Support Annex (CSA). For each counterparty, the model aggregates the exposures taking into consideration any netting agreements and credit support annexes, as well as the potentially risky nature of the collateral exchanged.

Based on the breakdown of exposure to the counterparty, the model determines the following in particular:

- the average risk profile, the Expected Positive Exposure (EPE), from which the EEPE (Effective Expected Positive Exposure) is calculated:

  The Expected Positive Exposure (EPE) profile is calculated as the average of the breakdown of counterparty exposures at each point in the simulation, with the negative portions of the trajectories set to zero (the negative portions correspond to situations where BNP Paribas Group is a risk for the counterparty). The EEPE is calculated as the first-year average of the non-decreasing EPE profile: at each simulation date, the value taken is the maximum of the EPE value and the value on the previous simulation date;
- the Potential Future Exposure (PFE) profile:

  The Potential Future Exposure (PFE) profile is calculated as a 90% percentile of the breakdown of exposure to the counterparty at each point in the simulation. This percentile is raised to 99% for hedge fund counterparties. The highest Potential Future Exposure value (Max PFE) is used to monitor maximum limits.

Since 1 January 2014, date of entry into force of Regulation (EU) No. 575/2013, the system for measuring exposures to counterparty risk takes into account:

- extension of the margin periods of risk in accordance with article 285 of the CRR;
- inclusion of the specific correlation risk;
- determination of a stressed EEPE calculated based on a calibration reflecting a particular period of stress.

### Non-modelled exposure – Mark-to-market method

For non-modelled counterparty credit risk exposures, the exposure at default is based on market price evaluation (Net Present Value + Add On). The add-on is calculated in accordance with article 274 of Regulation (EU) No. 575/2013 as a fixed percentage according to the type of transaction and its remaining life.

## LIMIT/MONITORING FRAMEWORK

Limits reflecting the principles of the Group's Risk Appetite Statement are defined for the counterparty credit risk. These limits are set in accordance with the type of counterparty (banks, institutional investors, asset managers, hedge funds, corporates). For each counterparty, the maximum Potential Future Exposure value (MaxPFE) calculated by the internal model is compared on a daily basis with the limits assigned to each counterparty to check compliance with credit decisions.

These limits are defined and calibrated as part of the risk approval process. They are approved in the following committees (listed in ascending order of discretionary authority): Local Credit Committee, Regional Credit Committee, Global Credit Committee, General Management Credit Committee.

These measures are complemented by sets of directives (covering contingent market risk sensitivities per counterparty which are extracted from the market risk system) which provide further tools in the monitoring of counterparty credit risk and the prevention of systemic risk concentrations.

## MITIGATION OF COUNTERPARTY CREDIT RISK

As part of its risk management, the BNP Paribas Group implemented two counterparty risk mitigation mechanisms:

- the signature of netting agreements for OTC transactions;
- clearing through central counterparties, in the case of OTC or listed derivative transactions.

### Netting agreements

Netting is used by the Bank in order to mitigate counterparty credit risk associated with derivatives trading. The main instance where netting occurs is in case of trades termination: if the counterparty defaults, all the trades are terminated at their current market value, and all the positive and negative market values are summed to obtain a single amount (net) to be paid to or received from the counterparty. The balance ("close-out netting") may be collateralised with cash, securities or deposits.

The Bank also applies settlement netting in order to mitigate counterparty credit risk in cases of currency settlement. This corresponds to the netting of all payments and receipts between the Bank and one counterparty in the same currency to be settled in the same day. The netting results in a single amount (for each currency) to be paid either by the Bank or by the counterparty.

Transactions affected by this are processed in accordance with bilateral or multilateral agreements respecting the general principles of the national or international framework. The main forms of bilateral agreements are those issued by *Fédération Bancaire Française* (FBF) and on an international basis by International Swaps and Derivatives Association (ISDA).

### Trade clearing through central counterparties

Trade clearing through central counterparties (CCPs) is part of BNP Paribas usual capital market activities. As a global clearing member, BNP Paribas contributes to the risk management framework of the CCPs through payment to a default fund as well as daily margin calls. The rules which define the relationships between BNP Paribas and the CCPs of which it is a member are described in each CCP's rulebook.

For Europe and the US in particular, this scheme enables the reduction of notional amounts through the netting of the portfolio, on one hand, and, on the other, a transfer of the risk from several counterparties to a single central counterparty with a robust risk management framework.

In its clearing for third parties activity, BNP Paribas requests as well, and on a daily basis, the payment of margin calls from its clients.

Since default by one or more clearing houses would affect BNP Paribas, it has introduced dedicated monitoring of these central counterparties and closely tracks concentrations with them.

### Bilateral initial margin exchange

Regulation (EU) No. 648/2012 (EMIR) stipulates the establishment of additional constraints for players in the derivatives markets, including the obligation to exchange collateral for contracts that are not centrally cleared. An initial guarantee deposit must be made by the Bank's most significant financial and non-financial counterparties. The purpose of this exchange is to mitigate the counterparty credit risk associated with over-the-counter derivatives trading that is not centrally cleared. The Bank's transactions with sovereign borrowers, central banks, and supranational entities are excluded from this system.

If the counterparty defaults, all the trades are terminated at their current market value by the Bank. The initial guarantee deposit hedges the variation in transactions during this liquidation period. The initial deposit reflects an extreme but plausible estimate of potential losses corresponding to an unilateral interval of confidence of 99% over a 10-day period, based on historic data including an episode of significant financial tensions.

The initial deposit must be bilaterally traded on a gross basis between the Bank and the counterparty. It is kept by a third party so as to guarantee that the Bank immediately has access to the counterparty's deposit and that the Bank's deposit be protected in case the counterparty defaults.

## CREDIT VALUATION ADJUSTMENTS (CVA)

The valuation of financial OTC-trades carried out by BNP Paribas as part of its trading activities (mainly Global Markets) includes Credit Valuation Adjustments (CVA). CVA is an adjustment of the trading portfolio valuation to take into account each counterparty's credit risk. It is the fair value on any expected loss arising from counterparty exposure based on the potential positive value of the contract, the counterparty default probability and the estimated recovery rate in case of default.

The majority of counterparty credit risk exposures on derivatives are related to the Group's interest rate, credit and foreign exchange activities, all underlying assets, and all business lines combined.

The credit valuation adjustment is not only a function of the expected exposure but also the credit risk level of the counterparty, which is linked to the level of the Credit Default Swaps (CDS) spreads used in the default probability calculation.

In order to reduce the risk associated with the credit quality deterioration embedded in a financial operations portfolio, BNP Paribas uses a dynamic hedging strategy, involving the purchase of market instruments such as credit derivative instruments. (See *CVA risk management* in section *Counterparty risk management*).

### Risk related to the volatility of CVAs (CVA risk)

To protect banks against the risk of losses due to CVA variations, Regulation (EU) No. 575/2013 introduced a dedicated capital charge, the CVA charge. This charge aims at capitalising the risk of loss caused by changes in the credit spread of a counterparty to which the BNP Paribas Group is exposed. The CVA charge is computed by the Group using mainly the advanced method and relies on the Bank's model on market risk (see section *CVA Risk* hereafter).

## STRESS TESTS AND WRONG WAY RISK

The BNP Paribas counterparty risk stress testing framework is consistent with the market risk framework (see section 5.7 *Market risk related to trading activities*). As such, the counterparty stress testing framework is implemented in conjunction with the market risk stress testing and employs consistent market shifts where scenarios are shared. Testing also comprises factors specific to counterparty risk such as deteriorations in counterparty credit quality.

Such risk analysis is present within the Executive Management reporting framework which shares some common forums with the market risk reporting set up such as the CMRC, core risk committee for market and counterparty credit risk. Both counterparty and market risk stress testing frameworks are governed by the Stress Testing Steering Committee.

Wrong Way Risk (or unfavourable correlation risk) is the case of exposure to a counterparty being inversely correlated with the counterparty's credit quality.

Such risk can be split in two parts:

- General Wrong Way Risk (GWWR), which corresponds to the risk that the probability of default by counterparty is positively correlated with general market risk factors;
- Specific Wrong Way Risk (SWWR), which corresponds to the risk arising when future exposure to a specific counterparty is positively correlated with the counterpart's probability of default due to the nature of the transactions with the counterparty or of the collateral received.

BNP Paribas' monitoring and analysis of General Wrong Way Risk is performed through stress tests that highlight the risk factors negatively correlated with the counterparty's credit quality. It combines a top down approach and a bottom up approach:

- for the top down approach, the GWWR policy defines the generic rules and criteria to be used to detect GWWR. These criteria are based on the countries of incorporation of the counterparties, the region of which they are part and the industries in which they are involved. Derivative positions, structured financing, and collateral that counterparties may have with BNP Paribas have been defined as the situations where GWWR should be analysed and reported;
- the GWWR framework relies upon a robust bottom up approach with the expertise of the counterparty credit analysts specifically needed to define the most impacting scenarios at portfolio level (the approach consists of the use of stressed market parameters reflecting extreme but realistic conditions).

When a legal link between the exposure underlyings and the counterparty is established, the SWWR is subject to prescribed regulatory capital treatment.

## EXPOSURE TO COUNTERPARTY CREDIT RISK [Audited]

The table below shows exposure to counterparty credit risk (measured as exposure at the time of default) by Basel asset class on derivatives contracts and securities lending/borrowing transactions, after the impact of any netting agreements.

### TABLE 55: COUNTERPARTY CREDIT RISK EXPOSURE AT DEFAULT BY ASSET CLASS (EXCL. CVA RISK CHARGE) [Audited]

| EAD *In millions of euros* | 31 December 2017 | | | 31 December 2016 | | | Variation |
|---|---|---|---|---|---|---|---|
| | IRBA | Standardised approach | Total | IRBA | Standardised approach | Total | Total |
| **Bilateral counterparty credit risk** | **113,023** | **1,054** | **114,077** | **139,301** | **1,528** | **140,829** | **(26,752)** |
| Central governments and central banks | 27,631 | 4 | 27,635 | 32,657 | 11 | 32,668 | (5,033) |
| Corporates | 59,689 | 729 | 60,418 | 73,754 | 948 | 74,702 | (14,284) |
| Institutions(*) | 25,703 | 315 | 26,018 | 32,888 | 559 | 33,447 | (7,429) |
| Retail | 0 | 6 | 7 | 2 | 11 | 13 | (6) |
| **Exposure to CCP related to clearing activities** | **2,969** | **39,766** | **42,735** | **4,001** | **59,734** | **63,735** | **(21,000)** |
| **TOTAL** | **115,992** | **40,820** | **156,812** | **143,302** | **61,262** | **204,564** | **(47,752)** |

*(*) Institutions asset class comprises credit institutions and investment firms, including those recognised in other countries, it also includes some exposures to regional and local authorities, public sector agencies and multilateral development banks that are not treated as central government authorities.*



For bilateral counterparty credit risk, the share of exposures under the IRB approach represents 99% at 31 December 2017, stable compared with 31 December 2016.

The following table summarises the exposures to counterparty credit risk with a breakdown by product and a split between on one hand bilateral transactions between the Bank and customers and on the other hand transactions related to the clearing activities ot the Bank, including essentially exposures to central counterparties (CCP). An indication of the Group's business volume on derivative financial instruments booked in the trading portfolio is presented in note 4.a to the consolidated financial statement.

### TABLE 56: COUNTERPARTY CREDIT RISK EXPOSURE AT DEFAULT BY PRODUCT (EXCL. CVA RISK CHARGE) [Audited]

| EAD *In millions of euros* | 31 December 2017 | | | | | 31 December 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Bilateral counterparty credit risk | | Exposure to CCP related to clearing activities | | Total | Bilateral counterparty credit risk | | Exposure to CCP related to clearing activities | | Total |
| OTC derivatives | 75,020 | 93.0% | 5,648 | 7.0% | 80,668 | 94,646 | 93.3% | 6,908 | 6.7% | 101,554 |
| Securities Financing Transactions | 39,057 | 93.4% | 2,777 | 6.6% | 41,834 | 46,183 | 86.6% | 7,157 | 13.4% | 53,340 |
| Listed derivatives | | | 30,876 | 100.0% | 30,876 | | | 46,920 | 100.0% | 46,920 |
| CCP - Default fund contribution | | | 3,434 | 100.0% | 3,434 | | | 2,749 | 100.0% | 2,749 |
| **TOTAL** | **114,077** | **72.7%** | **42,735** | **27.3%** | **156,812** | **140,829** | **68.8%** | **63,735** | **31.2%** | **204,564** |

## BILATERAL COUNTERPARTY CREDIT RISK

The bilateral counterparty risk corresponds to the contracts treated bilaterally (or over the counter) by BNP Paribas with its clients.

The exposure at default (EAD) is primarily measured with the aid of internal models (see paragraph *Counterparty exposure calculation*). For the perimeter not covered by internal models (now limited mainly to subsidiaries BNL, BancWest and TEB and a portion of the scope of the clearing activities), EAD is calculated using the Mark-to-Market method (Net Present Value + Add-On).

Risk-weighted assets linked to counterparty credit risk are computed by multiplying EAD by an appropriate weighting according to the approach used (standardised or IRBA).

The following table shows a summary, by approach, of the regulatory exposures of counterparty credit risk and associated risk-weighted assets for the entire scope of the BNP Paribas Group's bilateral activities, which represents the bulk of counterparty credit risk exposures.

### TABLE 57: BILATERAL COUNTERPARTY CREDIT RISK BY APPROACH (EU CCR1)

| | | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|---|
| | b+c | d | e | f | g | | |
| *In millions of euros* | NPV(***) +Add-on | Total EEPE(**) | Multiplier | EAD | RWAs | *of which standardised approach* | *of which IRBA* |
| 1 Mark-to-Market method | 1,830 | | | 1,134 | 1,045 | *840* | *205* |
| 4 Internal model approach | | 70,589 | 1.6 | 112,943 | 20,802 | *4* | *20,798* |
| 5 *of which SFTs(*)* | | *24,404* | *1.6* | *39,046* | *3,266* | | *3,266* |
| 6 *of which derivatives and deferred settlement transactions* | | *46,185* | *1.6* | *73,896* | *17,536* | *4* | *17,531* |
| **11 TOTAL** | | | | **114,077** | **21,847** | ***845*** | ***21,002*** |

*(*) Securities Financing Transactions.*
*(**) Effective Expected Positive Exposure.*
*(***) Net Present Value.*

| | | 31 December 2016 Proforma | | | | | |
|---|---|---|---|---|---|---|---|
| | b+c | d | e | f | g | | |
| *In millions of euros* | NPV(***) +Add-on | EEPE(**) | Multiplier | EAD | RWAs | *of which standardised approach* | *of which IRBA* |
| 1 Mark-to-Market method | 2,249 | | | 1,589 | 1,165 | *1,106* | *60* |
| 4 Internal model approach (for derivatives and SFTs) | | 87,025 | 1.6 | 139,240 | 23,860 | *19* | *23,841* |
| 5 *of which SFTs(*)* | | *28,864* | *1.6* | *46,182* | *2,775* | *7* | *2,767* |
| 6 *of which derivatives and deferred settlement transactions* | | *58,161* | *1.6* | *93,058* | *21,085* | *11* | *21,074* |
| **11 TOTAL** | | | | **140,829** | **25,025** | ***1,124*** | ***23,901*** |

*(*) Securities Financing Transactions.*
*(**) Effective Expected Positive Exposure.*
*(***) Net Present Value.*

For the perimeter covered by the internal model for bilateral activities, EAD is down EUR 17 billion. This change is mainly due to the fall in the dollar and the rise in interest rates in Europe and the United States, with a lower impact on the exposure in euros of forex and interest rate derivative positions, coupled with a slight fall in volumes at the end of the year on the forex derivatives portfolio.

The following tables provide: the calculation of risk-weighted assets according to the Basel risk parameters using an IRBA approach (see paragraph *Sovereign, financial institution, corporate and specialised financing portfolios* in *Credit risk: Internal Rating Based Approach (IRBA)* in Section 5.4) then using the standardised approach.

## TABLE 58: IRBA BILATERAL COUNTERPARTY CREDIT RISK EXPOSURES (EU CCR4)

| | 31 December 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g |
| *In millions of euros* | PD range | EAD | Average PD | Number of obligors | Average LGD | Average maturity | RWAs | Average RW |
| Central governments or central banks | 0.00 to < 0.15% | 26,633 | 0.02% | 100 to 1,000 | 2% | 3 | 118 | 0% |
| | 0.15 to < 0.25% | 17 | 0.17% | 0 to 100 | 21% | 1 | 3 | 16% |
| | 0.25 to < 0.50% | 43 | 0.33% | 0 to 100 | 50% | 1 | 21 | 50% |
| | 0.50 to < 0.75% | 767 | 0.69% | 0 to 100 | 28% | 1 | 301 | 39% |
| | 0.75 to < 2.50% | 59 | 1.96% | 0 to 100 | 46% | 1 | 62 | 105% |
| | 2.50 to < 10.0% | 21 | 6.37% | 0 to 100 | 8% | 4 | 5 | 23% |
| | 10.0 to < 100% | 91 | 26.06% | 0 to 100 | 60% | 4 | 335 | 366% |
| | 100% (defaults) | - | 0.00% | - | | | - | - |
| | **Sub-total** | **27,631** | **0.14%** | | **3%** | **3** | **845** | **3%** |
| Institutions | 0.00 to < 0.15% | 22,567 | 0.05% | 1,000 to 10,000 | 21% | 1 | 2,194 | 10% |
| | 0.15 to < 0.25% | 1,268 | 0.17% | 100 to 1,000 | 43% | 1 | 410 | 32% |
| | 0.25 to < 0.50% | 990 | 0.34% | 100 to 1,000 | 48% | 1 | 557 | 56% |
| | 0.50 to < 0.75% | 393 | 0.69% | 0 to 100 | 51% | 1 | 366 | 93% |
| | 0.75 to < 2.50% | 238 | 1.40% | 100 to 1,000 | 55% | 1 | 294 | 123% |
| | 2.50 to < 10.0% | 191 | 3.68% | 100 to 1,000 | 54% | 1 | 333 | 175% |
| | 10.0 to < 100% | 53 | 14.11% | 0 to 100 | 68% | 0 | 185 | 348% |
| | 100% (defaults) | 3 | 100.00% | 0 to 100 | | | - | 0% |
| | **Sub-total** | **25,703** | **0.15%** | | **25%** | **1** | **4,340** | **17%** |
| Corporates | 0.00 to < 0.15% | 42,837 | 0.05% | 1,000 to 10,000 | 30% | 1 | 5,320 | 12% |
| | 0.15 to < 0.25% | 6,873 | 0.17% | 1,000 to 10,000 | 33% | 2 | 1,610 | 23% |
| | 0.25 to < 0.50% | 3,879 | 0.37% | 1,000 to 10,000 | 43% | 2 | 2,023 | 52% |
| | 0.50 to < 0.75% | 1,635 | 0.69% | 100 to 1,000 | 32% | 3 | 1,073 | 66% |
| | 0.75 to < 2.50% | 2,873 | 1.39% | 1,000 to 10,000 | 51% | 2 | 3,309 | 115% |
| | 2.50 to < 10.0% | 1,197 | 4.12% | 1,000 to 10,000 | 55% | 2 | 2,104 | 176% |
| | 10.0 to < 100% | 158 | 20.09% | 100 to 1,000 | 42% | 3 | 374 | 237% |
| | 100% (defaults) | 236 | 100.00% | 100 to 1,000 | | | 4 | 2% |
| | **Sub-total** | **59,689** | **0.70%** | | **32%** | **1** | **15,817** | **26%** |
| Retail | **Sub-total** | **0** | **n.s.** | | **n.s.** | **n.s.** | **0** | **n.s.** |
| | **TOTAL** | **113,023** | **0.44%** | | **23%** | **2** | **21,002** | **19%** |

| In millions of euros | | 31 December 2016 Proforma | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g |
| | PD range | EAD | Average PD | Number of obligors | Average LGD | Average maturity | RWAs | Average RW |
| Central governments or central banks | 0.00 to < 0.15% | 32,369 | 0.02% | 100 to 1,000 | 1% | 3 | 136 | 0% |
| | 0.15 to < 0.25% | 18 | 0.16% | 0 to 100 | 20% | 1 | 2 | 12% |
| | 0.25 to < 0.50% | 73 | 0.46% | 0 to 100 | 50% | 3 | 61 | 84% |
| | 0.50 to < 0.75% | 2 | 0.69% | 0 to 100 | 50% | 1 | 1 | 73% |
| | 0.75 to < 2.50% | 65 | 2.08% | 0 to 100 | 45% | 2 | 73 | 112% |
| | 2.50 to < 10.0% | 5 | 4.01% | 0 to 100 | 50% | 1 | 7 | 147% |
| | 10.0 to < 100% | 126 | 21.81% | 0 to 100 | 60% | 4 | 450 | 358% |
| | 100% (defaults) | - | - | - | | | - | - |
| | **Sub-total** | **32,657** | **0.11%** | | **2%** | **3** | **731** | **2%** |
| Institutions | 0.00 to < 0.15% | 28,670 | 0.05% | 1,000 to 10,000 | 23% | 1 | 2,226 | 8% |
| | 0.15 to < 0.25% | 1,773 | 0.18% | 100 to 1,000 | 39% | 1 | 578 | 33% |
| | 0.25 to < 0.50% | 1,497 | 0.36% | 100 to 1,000 | 49% | 1 | 909 | 61% |
| | 0.50 to < 0.75% | 290 | 0.69% | 100 to 1,000 | 56% | 1 | 287 | 99% |
| | 0.75 to < 2.50% | 440 | 1.43% | 100 to 1,000 | 64% | 1 | 625 | 142% |
| | 2.50 to < 10.0% | 184 | 3.64% | 100 to 1,000 | 65% | 1 | 400 | 218% |
| | 10.0 to < 100% | 34 | 13.31% | 0 to 100 | 58% | 1 | 103 | 299% |
| | 100% (defaults) | 1 | 100.00% | 0 to 100 | | | - | 0% |
| | **Sub-total** | **32,888** | **0.13%** | | **26%** | **1** | **5,129** | **16%** |
| Corporates | 0.00 to < 0.15% | 54,294 | 0.05% | 1,000 to 10,000 | 29% | 1 | 5,239 | 10% |
| | 0.15 to < 0.25% | 7,144 | 0.17% | 1,000 to 10,000 | 31% | 2 | 1,793 | 25% |
| | 0.25 to < 0.50% | 4,621 | 0.36% | 1,000 to 10,000 | 44% | 2 | 2,549 | 55% |
| | 0.50 to < 0.75% | 1,884 | 0.69% | 100 to 1,000 | 33% | 3 | 1,203 | 64% |
| | 0.75 to < 2.50% | 3,281 | 1.39% | 1,000 to 10,000 | 50% | 2 | 3,792 | 116% |
| | 2.50 to < 10.0% | 2,011 | 4.34% | 1,000 to 10,000 | 46% | 2 | 3,009 | 150% |
| | 10.0 to < 100% | 325 | 17.06% | 100 to 1,000 | 27% | 2 | 455 | 140% |
| | 100% (defaults) | 194 | 100.00% | 100 to 1,000 | | | - | 0% |
| | **Sub-total** | **73,754** | **0.61%** | | **32%** | **1** | **18,039** | **24%** |
| Retail | **Sub-total** | **2** | **n.s.** | | **n.s.** | **-** | **n.s.** | **n.s.** |
| | **TOTAL** | **139,301** | **0.38%** | | **23%** | **2** | **23,901** | **17%** |

## ➤ TABLE 59: STANDARDISED BILATERAL COUNTERPARTY CREDIT RISK EXPOSURES (EU CCR3)

| *In millions of euros* | 31 December 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | EAD | | | | | | | | | |
| **Risk weight** | **0%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **Total** | ***of which unrated(*)*** | **RWAs** |
| Central governments or central banks | 0 | | | 0 | | 4 | | **4** | *0* | 4 |
| Corporates | | 237 | | 51 | | 27 | 0 | **315** | *6* | 100 |
| Institutions | | | 0 | 0 | 0 | 714 | 15 | **729** | *724* | 736 |
| Retail | | | | | 6 | | | **6** | *6* | 5 |
| **TOTAL** | **0** | **237** | **0** | **51** | **6** | **744** | **15** | **1,054** | ***736*** | **845** |

*(*) Exposures to counterparties without a credit rating from external rating agencies.*

| *In millions of euros* | 31 December 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | EAD | | | | | | | | | |
| **Risk weight** | **0%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **Total** | ***of which unrated(*)*** | **RWAs** |
| Central governments or central banks | | | | 4 | | 7 | | **11** | | 9 |
| Corporates | | 473 | | 62 | | 24 | | **559** | *18* | 149 |
| Institutions | | | 0 | 0 | | 927 | 20 | **948** | *942* | 958 |
| Retail | | | | | 11 | | | **11** | *11* | 8 |
| **TOTAL** | **-** | **473** | **0** | **66** | **11** | **958** | **20** | **1,528** | ***970*** | **1,124** |

*(*) Exposures to counterparties without a credit rating from external rating agencies.*

The table below presents the EAD distribution of OTC derivatives portfolio by rating. For each element, the table gives the part of netted transactions.

## ➤ TABLE 60: BILATERAL COUNTERPARTY CREDIT RISK EXPOSURE AT DEFAULT BY RATING

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | **Distribution of EAD** | **of which netted transactions** | **Distribution of EAD** | **of which netted transactions** |
| AAA | 10% | 99% | 9% | 98% |
| AA | 45% | 95% | 46% | 90% |
| A | 20% | 88% | 19% | 91% |
| BBB | 10% | 91% | 10% | 92% |
| BB | 6% | 82% | 6% | 78% |
| B | 5% | 82% | 5% | 84% |
| Others | 3% | 85% | 4% | 86% |

With respect to the OTC derivatives portfolio at 31 December 2017, the share of collateralised transactions represents nearly 74% of the total in number of transactions.

# COUNTERPARTY CREDIT RISK FOR EXPOSURES TO CENTRAL COUNTERPARTIES ASSOCIATED WITH CLEARING ACTIVITIES

For central counterparties (CCP), Regulation (EU) No. 648/2012 distinguishes qualifying central counterparties (QCCP) from non-qualified central counterparties. At 31 December 2017, all central counterparties with which the Group is associated are considered to be qualified.

The clearing CCR charge is the result of an extension of the bilateral CCR perimeter to clearing activities; it covers the cleared part of the OTC derivatives, repo portfolio as well as the listed derivatives portfolio.

It is equal to the sum of the following three elements:

- a charge resulting from exposures generated by clearing activities (proprietary and client clearing);
- a requirement resulting from the non-segregated initial margins posted to the CCP;
- a requirement resulting from the default fund contribution of the central counterparties.

However, Regulation (EU) No. 575/2013 provides for the use of an alternative method for calculating capital requirements for exposures to an eligible central counterparty, based only on transaction exposures and prefunded default fund contributions.

The table below presents the breakdown of the capital charge by method and category of exposure to central counterparties:

### TABLE 61: EXPOSURE TO CENTRAL COUNTERPARTIES (CCP) (EU CCR8)

| | | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|
| | *In millions of euros* | EAD | RWAs | EAD | RWAs |
| 1 | **Exposures to qualified CCP (total)** | | **2,979** | | **3,463** |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions) | 29,696 | 1,426 | 39,975 | 1,814 |
| *3* | *of which OTC derivatives* | *1,506* | *287* | *704* | *45* |
| *4* | *of which listed derivatives* | *27,104* | *1,114* | *36,292* | *1,589* |
| *5* | *of which SFTs(*)* | *1,086* | *25* | *2,979* | *180* |
| 8 | Non-segregated initial margin(**) | 8,595 | 212 | 19,504 | 440 |
| 9 | Prefunded default fund contributions | 3,240 | 1,257 | 2,145 | 1,060 |
| 10 | Alternative calculation of own funds requirements for exposures | | 83 | | 150 |
| *10.a* | *of which exposures for trades at QCCPs* | *530* | *36* | *546* | *49* |
| *10.b* | *of which non-segregated initial margin(**)* | *481* | *36* | *649* | *98* |
| *10.c* | *of which prefunded default fund contributions* | *193* | *12* | *603* | *3* |
| 11 | **Exposures to non-qualified CCPs (total)** | | | | **333** |
| 12 | Exposures to non-QCCPs (excluding initial margin and default fund contribution) | | | 291 | 291 |
| *13* | *of which OTC derivatives* | | | *291* | *291* |
| 18 | Non-segregated initial margin(**) | | | 19 | 19 |
| 19 | Prefunded default fund contributions | | | 1 | 11 |
| 20 | Unfunded default fund contributions | | | 1 | 11 |

*(*) Securities financing transactions.*
*(**) Not bankruptcy remote in accordance with article 300.1 Regulation (EU) No. 575/2013.*

# CVA RISK

The CVA risk measures the risk of losses caused by changes in the credit valuation adjustments resulting from credit spread changes associated with the counterparties to whom the Group is exposed (see paragraph *Credit Valuation Adjustments (CVA)*)

Using the standardised approach, the capital requirement for credit valuation adjustment risk (CVA) is calculated according to the Supervisory Formula Approach.

Using the IRB approach, the CVA risk capital charge is the sum of two elements:

- CVA VaR charge, which represents the own funds requirement measured from a VaR computation on CVA sensitivities to credit spreads;
- CVA SVaR charge, which represents the own funds requirement measured from a stressed VaR computation on CVA sensitivities to credit spreads.

**TABLE 62: CVA RISK CAPITAL CHARGE (EU CCR2)**

| | | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|
| *In millions of euros* | | EAD | RWAs | EAD | RWAs |
| 1 | **Advanced approach** | **32,901** | **1,693** | **49,849** | **4,044** |
| 2 | CVA VaR charge | | 200 | | 898 |
| 3 | CVA SVaR charge | | 1,493 | | 3,146 |
| 4 | **Standardised approach** | **546** | **217** | **795** | **303** |
| **5** | **TOTAL** | **33,447** | **1,910** | **50,644** | **4,347** |

5

# COUNTERPARTY CREDIT RISK MANAGEMENT

## CREDIT RISK MITIGATION TECHNIQUES

In the context of liquidity management and counterparty credit risk management, the BNP Paribas Group systematically monitors the collateral guarantees received and posted, for both the portion hedging the contracts' market value (Variation Margin) and the risk of an adverse change in these market values in the event of a counterparty default (Initial Margin). The collateral posted and received used in derivative contracts is mainly comprised of cash, and to a lesser extent, debt securities. The impact of the collateral received in clearing contracts is shown in the financial statements in Note 4.r *Offsetting of financial assets and liabilites*.

As a general rule, when EAD is modelled in EEPE and weighted according to the IRB Approach, the LGD (Loss Given Default) is not adjusted according to the collateral received since they are already taken into account in the "Effective Expected Positive Exposure" computation (see section *Bilateral counterparty risk*).

Collateral guarantees used in the standardised approach to reduce the EAD totalled EUR 562 million at 31 December 2017, compared with EUR 658 million at 31 December 2016.

## CVA RISK MANAGEMENT

CVA sensitivities to credit spreads are partially offset by the recognition of hedges. These hedges correspond to credit derivatives on certain identified counterparties or indices composed of identifiable counterparties.

Instruments authorised as hedges in the calculation of the capital requirements for credit valuation adjustment risk form a sub-set of the credit derivatives used as hedge by the Global Markets business in the management of its CVA. The notional amounts of these instruments represents EUR 5.6 billion at 31 December 2017.

The notional amounts of derivative financial instruments are shown in Note 4.a *Financial assets, financial liabilities and derivatives at fair value through profit or loss*.

# CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

### ➤ TABLE 63: COUNTERPARTY CREDIT RISK CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

| *In millions of euros* | RWAs | | | Capital requirements | | |
|---|---|---|---|---|---|---|
| | 31 December 2017 | 31 December 2016 | Variation | 31 December 2017 | 31 December 2016 | Variation |
| Bilateral counterparty credit risk | 21,847 | 25,025 | (3,178) | 1,748 | 2,002 | (254) |
| CCP(*) | 2,979 | 3,796 | (817) | 238 | 304 | (65) |
| CVA risk | 1,910 | 4,347 | (2,437) | 153 | 348 | (195) |
| **TOTAL** | **26,736** | **33,168** | **(6,432)** | **2,139** | **2,653** | **(515)** |

*(*) Counterparty credit risk related to clearing activities*



### ➤ TABLE 64: COUNTERPARTY CREDIT RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER (EU CCR7)

| *In millions of euros* | RWAs – Counterparty credit risk | | Capital requirement – Counterparty credit risk | |
|---|---|---|---|---|
| | | a | | b |
| | Total | of which internal model method (IMM) | Total | of which internal model method (IMM) |
| **31 December 2016** | **33,168** | **23,860** | **2,653** | **1,909** |
| Asset size | (6,826) | (3,795) | (546) | (304) |
| Asset quality | (864) | (346) | (69) | (28) |
| Model update | 1,333 | 1,333 | 107 | 107 |
| Methodology and policy | (0) | (0) | (0) | (0) |
| Acquisitions and disposals | - | - | - | - |
| Currency | (73) | (5) | (6) | (0) |
| Others | (2) | (244) | (0) | (20) |
| **31 DECEMBER 2017** | **26,736** | **20,802** | **2,139** | **1,664** |

2017 was characterised by the reduction in bilateral counterparty risk exposure as a result of market conditions reducing interest rate and forex derivative positions (depreciation of the USD and rise in EUR and USD interest rates over the year), coupled with a reduction in the cost of risk on CVA relating the tightening of credit spreads.

# 5.7 Market risk

Market risk is the risk of incurring a loss of value due to adverse trends in market prices or parameters, whether directly observable or not.

Observable market parameters include, but are not limited to, exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market.

In fixed income trading books, credit instruments are valued on the basis of bond yields and credit spreads, which represent market parameters in the same way as interest rates or foreign exchange rates. The credit risk arising on the issuer of the debt instrument is therefore a component of market risk known as issuer risk.

Liquidity is an important component of market risk. In times of limited or no liquidity, instruments or goods may not be tradable or may not be tradable at their estimated value. This may arise, for example, due to low transaction volumes, legal restrictions or a strong imbalance between demand and supply for certain assets.

The market risk related to banking activities encompasses the interest rate and foreign exchange risks stemming from banking intermediation activities.

Market risk is presented in this section in two parts:

- market risk linked to trading activities and corresponding to trading instruments and derivative contracts;
- market risk linked to banking activities encompassing the interest rate and foreign exchange risks stemming from banking intermediation activities.

Equities (excluding 250% risk-weight) previously shown in the section *Market risk related to the banking book activities* are now shown in section 5.4 *Credit Risk*.

## CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS FOR MARKET RISK

### ➤ TABLE 65: MARKET RISK CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

| *In millions of euros* | RWAs | | | Capital requirement | | |
|---|---|---|---|---|---|---|
| | 31 December 2017 | 31 December 2016 | Variation | 31 December 2017 | 31 December 2016 | Variation |
| Internal model | 14,852 | 20,766 | (5,914) | 1,188 | 1,661 | (473) |
| Standardised approach | 1,147 | 969 | 178 | 92 | 78 | 14 |
| Trading book securitisation positions | 667 | 794 | (127) | 53 | 64 | (11) |
| **TOTAL** | **16,666** | **22,529** | **(5,863)** | **1,333** | **1,802** | **(470)** |

Within the BNP Paribas Group, market risk is primarily handled using the internal model approach.

2017 saw a drop in market risk related in particular to the change in parameters (increased rates and low volatility) and the Global Markets' hedging strategy.

## TABLE 66: MARKET RISK UNDER THE INTERNAL MODEL APPROACH (EU MR2-A)

| | | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|
| | *In millions of euros* | RWAs | Capital requirement | RWAs | Capital requirement |
| **1** | **VaR(*) (higher of values 1.a and 1.b)** | **4,335** | **347** | **6,415** | **513** |
| 1.a | Previous day's VaR | | 79 | | 114 |
| 1.b | Average of the daily VaR on each of the preceding 60 business days x multiplication factor | | 347 | | 513 |
| **2** | **SVaR(*) (higher of values 2.a and 2.b)** | **7,330** | **586** | **8,933** | **715** |
| 2.a | Latest SVaR available | | 132 | | 200 |
| 2.b | Average of the SVaR during the preceding 60 business days x multiplication factor | | 586 | | 715 |
| **3** | **IRC(*)(**) (higher of values 3.a and 3.b)** | **2,597** | **208** | **4,420** | **354** |
| 3.a | Most recent IRC value | | 207 | | 257 |
| 3.b | Average of the IRC number over the preceding 12 weeks | | 208 | | 354 |
| **4** | **CRM(***) (higher of values 4.a, 4.b and 4.c)** | **590** | **47** | **998** | **80** |
| 4.a | Most recent risk number for the correlation trading portfolio | | 47 | | 80 |
| 4.b | Average of the risk number for the correlation trading portfolio over the preceding 12 weeks | | 47 | | 79 |
| 4.c | 8% of the own funds requirement in the standardised approach on the most recent risk number for the correlation trading portfolio | | 27 | | 45 |
| **6** | **TOTAL** | **14,852** | **1,188** | **20,766** | **1,661** |

(*) *VaR, SVaR and IRC values include all the components taken into account in the calculation of risk-weighted assets.*
(**) *Incremental Risk Charge.*
(***) *Comprehensive Risk Measure.*

The market risk calculated using the standardised approach covers the market risk of some entities of the Group that are not covered by internal models. The standardised approach is used to calculate foreign exchange risk for banking book (See section 5.7 *Market risk related to banking activities*).

## TABLE 67: MARKET RISK UNDER THE STANDARDISED APPROACH (EU MR1)

| | | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|
| | *In millions of euros* | RWAs | Capital requirement | RWAs | Capital requirement |
| | **Outright products** | | | | |
| 1 | Interest rate risk (general and specific) | 172 | 14 | 114 | 9 |
| 2 | Equity risk (general and specific) | | | 9 | 1 |
| 3 | Foreign exchange risk | 975 | 78 | 844 | 68 |
| | **Options** | | | | |
| 7 | Scenario approach | - | - | 2 | - |
| **8** | **Securitisation (specific risk)** | **667** | **53** | **794** | **64** |
| **9** | **TOTAL** | **1,814** | **145** | **1,763** | **141** |

### TABLE 68: MARKET RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER (EU MR2-B)

| | | a | b | c | d | | f | g |
|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | | VaR | SVaR | IRC(*) | CRM(**) | Standardised approach | Total RWAs | Total capital requirement |
| 1 | 31 December 2016 | 6,415 | 8,933 | 4,420 | 998 | 1,763 | 22,529 | 1,802 |
| 2.a | Asset size | (1,426) | (1,403) | (1,707) | (400) | 165 | (4,771) | (382) |
| 2.b | Asset quality | (642) | (235) | (111) | (2) | 36 | (954) | (76) |
| 3 | Model update | (8) | 28 | - | (6) | - | 14 | 1 |
| 4 | Methodology and policy | - | 1 | - | - | (342) | (341) | (27) |
| 5 | Acquisitions and disposals | - | - | - | - | - | - | - |
| 6 | Currency | - | - | - | - | - | - | - |
| 7 | Others | (3) | 6 | (4) | - | 191 | 190 | 15 |
| **8** | **31 DECEMBER 2017** | **4,335** | **7,330** | **2,597** | **590** | **1,814** | **16,666** | **1,333** |

*(*) Incremental Risk Charge.*
*(**) Comprehensive Risk Measure.*

VaR and SVaR followed a downward trend over the course of 2017, primarily relating to changes in market parameters (higher interest rates and low volatility), as well as with the hedging strategy pursued by Global Markets.

After temporarily reaching a high level at the end of 2016 against the backdrop of the US presidential elections, IRC decreased in 2017 due to an increase in hedging and a reduction in positions.

5

## MARKET RISK RELATED TO TRADING ACTIVITIES

### INTRODUCTION [Audited]

Market risk arises mainly from trading activities carried out within Corporate and Institutional Banking (CIB), mainly Global Markets and encompasses different risk factors defined as follows:

- interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates;
- foreign exchange risk is the risk that the value of an instrument will fluctuate due to changes in foreign exchange rates;
- equity risk arises from changes in the market prices and volatilities of equity shares and/or equity indices;
- commodities risk arises from changes in the market prices and volatilities of commodities and/or commodity indices;
- credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer;
- option products carry by nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

Trading activities at BNP Paribas are directly related to economic relations with business line customers, or indirectly as part of market-making activities. BNP Paribas's proprietary trading activities were transferred to the Opera Trading Capital subsidiary in mid-2015.

### MARKET RISK MANAGEMENT ORGANISATION [Audited]

The market risk management system aims to track and control market risks as well as control financial instrument valuation whilst ensuring that the control functions remain totally independent from the business lines.

Within Risk, three departments are responsible for monitoring market risk:

- Global Markets Risk (GM Risk) covers Global Markets activities;
- Enterprise Risk Architecture (ERA – ALMT Risk) covers ALM-Treasury activities;
- International Retail Banking Risk (IRB Risk) covers International retail market activities.

This mission consists of defining, measuring and analysing risk factors and sensitivities, as well as measuring and controlling Value at Risk (VaR), the global indicator of potential losses. Risk ensures that all business activity complies with the limits approved by the various committees and approves new activities and major transactions, reviews and approves position valuation models and conducts a monthly review of market parameters (MAP review) in association with the Valuation and Risk Control Department (V&RC).

Market Risk and financial instrument valuation monitoring is structured around several formal committees:

- the Capital Markets Risk Committee (CMRC) is the main committee governing the risks related to capital markets. It is responsible for addressing, in a coherent manner, the issues related to market and counterparty risk. The CMRC follows the evolution of the main exposures and stress risk and sets the high level trading limits. It meets approximately monthly and is chaired by either the Group Chief Executive Officer or by the Bank's Chief Operating Officer;
- the Product and Financial Control Committee (PFC) is the arbitration and pricing decision-making committee regarding financial instrument valuation matters. It meets quarterly and discusses the conclusions of the CIB Financial Control teams and their work to enhance control effectiveness and the reliability of the measurement and recognition of the results of market transactions. It is chaired by the Group Chief Financial Officer and brings together the Directors of Finance-Accounting, Corporate & Institutional Banking and Risk;
- at business line level, the Valuation Review Committee (VRC) meets monthly to examine and approve the results of Market parameters review (MAP review) and any changes in reserves. The Valuation Review Committee also acts as the referee in any disagreements between trading and control functions. The committee is chaired by the Senior Trader and other members include representatives from trading, Risk, the CIB Valuation and Risk Control Group (V&RC) team, and Finance. Any disagreement is escalated to the PFC;
- the Valuation Methodology Committee (VMC) meets quarterly per business line to monitor model approvals and reviews, follow up relevant recommendations and present model governance improvements. This Committee is chaired by Risk GM and includes representatives from trading, research, and the valuation and risk control (V&RC) team of CIB and Finance. Any disagreement can be escalated to the PFC, which can make an arbitration decision.

## VALUATION CONTROL [Audited]

Financial instruments in the prudential trading book are valued and reported at market or model value through P&L, in compliance with applicable accounting standards. Such can also be the case of financial instruments classified in the banking book.

Portfolio valuation control is described in the Charter of Responsibility for Valuation, which sets out the division of responsibilities. These governance policies and practices also apply to all ALM Treasury activities.

In addition to the Charter, the relevant valuation controls are detailed in specific policies. The main processes that together form the valuation control governance mechanism are set out below.

### Transaction accounting control

This control is under the responsibility of middle-office teams. However, the most complex transactions are controlled by Risk.

### Market Parameter (MAP) review – Independent Price Verification

Price verification is managed jointly by Valuation and Risk Control (V&RC) and Risk. Daily controls are performed on the most liquid parameters and a comprehensive and formal review of all the market parameters is performed at month end. The types of parameters controlled by V&RC are listed precisely; these are essentially the parameters for which an automatic control against external sources can be implemented (security prices, vanilla parameters); this may include the use of consensus price services. Risk is in charge of controlling valuation methodologies as well as the most complex parameters that are very dependent on the choice of models.

The general principles of the Market Parameter review are described in the Charter of Responsibility for Valuation as well as specialised global policies such as the Global Marking and Independent Price Verification Policy and MAP Review Principles. The specific methodologies are described in documents known as the MAP Books organised by product lines and regularly updated. The responsibilities of Risk and V&RC are defined for each point in time and the conclusions of the Market Parameter reviews are documented in the MAP review finding documents.

The outcome of the Market parameter review is the estimation of valuation adjustments communicated to the middle-office which enters it in the accounting records. The results are communicated to the Trading management during the Valuation Review Committees, where final decision or escalation is made. The opinion of the control functions prevails, however, significant and persistent disagreement can be escalated to the PFC.

### Model Approval and Reviews

The governance of model controls is described in the Valuation Methodology Control Policy (VMCP).

Front office quantitative analysts design and propose the methodologies used to value the product and measure the risks that are used to take trading decisions. The research team and IT are responsible for the implementation of these models in the systems.

The independent control of the valuation models falls under the responsibility of Risk and includes:

- Models' validation, by which a formal decision to approve or reject a model is taken, including following any modification of the valuation methodology called a "Valuation Model Event". In all cases, the approval decisions are taken by a senior Risk analyst during a specific VMC. The review required by the validation process can be fast track or comprehensive; in the latter case, the reasons and conditions for approval are detailed in a model approval document;
- the review of models can be conducted at inception (linked to an approval) or during the life of a model (re-calibration); it consists of an examination of the suitability of the model used to value certain products in the context of a given market environment;
- the control of the use and implementation of models, consists of continuous control of the correct parameterisation and configuration of the models as well as their suitability for the relevant products.

### Reserve and other valuation adjustments

Risk defines and calculates "reserves". These are adjustments to the market or model value affecting both the accounting valuation and regulatory capital. They can be considered either as the exit cost of a position or as a premium for risks that cannot be diversified or hedged, as appropriate.

The reserves primarily cover:

- the bid-offer spreads and liquidity risk;
- the model or market parameters uncertainties;
- the reduction of non hedgeable risks (smoothing digital or barrier pay-offs).

A general valuation adjustment policy exists. Reserve methodologies are documented by Risk for each product lines and these documentations are updated regularly. The analysis of reserve variations is reported at the monthly VRC.

Reserve methodologies are improved regularly and any change is a Valuation Model Event. Reserve improvements are generally motivated by the conclusion of a model review or by the calibration to market information during the Market parameter review process.

Additional Valuation Adjustments (AVA) are calculated in accordance with the Commission delegated Regulation (EU) No. 2016/101 of 26 November 2015, published in the OJEU on 28 January 2016.

This delegated regulation supplements the requirements of article 105 of the CRR with regard to regulatory technical standards for prudent valuation of financial instruments in the trading portfolio. It specifies that the scope of application of these requirements covers all instruments measured according to article 34 of the CRR, based on the proportion of the accounting valuation change that impacts Common Equity Tier 1 capital.

The regulatory technical standards set out the definitions and a framework for measurement and control for the elements of valuation uncertainty that must be considered when determining a prudent valuation under article 105. The standard also sets a target level of valuation certainty: the Bank must be 90% confident that it could liquidate the instrument at a better price than the prudent valuation.

To apply these requirements, the first step is to define Prudent Valuation Adjustments (PVA). These adjustments correspond to the different types of risks and costs that could lead to exit costs, relative to the mid-market value (or the expected value). The main categories are the liquidation cost, the risk related to uncertainties regarding market prices, concentration risk and valuation model risk. PVAs are calculated for each exposure on a granular level.

Based on these PVAs and for each exposure and risk type, BNP Paribas calculates the AVA (Additional Valuation Adjustments) that may be necessary, in addition to the reserves already taken into account in the valuation for the same exposure and risk type, to achieve the target valuation certainty level.

For some types of risk, the calculation of AVAs includes a diversification effect, which reflects the fact that the additional adjustments that may be necessary with respect to all positions are less than the sum of the additional adjustments that may be required for the individual positions or risks.

The AVA amounts are deducted from Common Equity Tier 1 capital.

### Day One profit or loss

Some transactions are valued with "non-observable" parameters. Accounting norms require the recognition of any day one P&L for non-observable transactions to be deferred where the initial model value has to be calibrated with the transaction price. The deferred net margin on reserves is recognised through profit or loss in proportion to the anticipated duration of the transaction or the period for which the inputs will be non-observable.

Risk works with Finance, middle-offices, and business lines on the process of identifying and handling these profit and loss items, in order to determine whether a type of parameter or transaction is observable or not in accordance with the observability rules, which are moreover duly documented and approved in the Valuation Methodology Committee.

The P&L impact of the P&L deferral is calculated by the middle-office or the Finance teams, according to the scope.

Observability rules are also used for the financial disclosures required by the IFRS 7 accounting standard.

## MARKET RISK EXPOSURE

Market risk is first analysed by systematically measuring portfolio sensitivity to various market parameters. The results of these sensitivity analyses are compiled at various aggregate position levels and compared with market limits.

### Risk monitoring set up and limit setting [Audited]

The Group uses an integrated system to follow the trading positions on a daily basis and manage VaR calculations. This system not only tracks the VaR, but also detailed positions and sensitivities to market parameters based on various criteria (such as by currency, product, counterparty). This system is also configured to include trading limits, reserves and stress tests.

Responsibility for limit setting and monitoring is delegated at three levels, which are, in order of decreasing importance, CMRC, followed by the head of the Business Line and finally the manager of a trading portfolio. Limits may be changed either temporarily or permanently, in accordance with the level of delegation and the prevailing procedures. Appropriate escalation mechanisms are in place to ensure that the independent view from the Risk Function on the level of limits is heard.

### Core risk analysis and reporting to Executive Management [Audited]

Risk reports, through various risk analyses and dashboards, to Executive Management and business lines Senior Management on its risk analysis work (limit, VaR monitoring, core risk analysis, etc.). The MCLAR (Market, Counterparty and Liquidity Analysis and Reporting) team within Risk is responsible for compiling/circulating main global risk reports.

The following risk reports are generated on a regular basis:

- weekly "Main Position" reports for each business line (equity derivatives, commodities, credit G10 rates and FX & Local Markets), summarising all positions and highlighting items needing particular attention; these reports are mainly intended for business line managers;
- monthly local "bottom up" stress testing reports for Executive Management identifying key risk concentrations around the globe;
- supporting documentation for the CMRC comprising markets and risk event summaries, global counterparty exposure summary, VaR/Stressed VaR evolution, market and counterparty risk Stress Testing and Capital evolution summaries, market and counterparty risk backtesting;
- geographical and global risk dashboards;
- reports on valuation adjustments in the trading book, in particular regarding market and CVA sentivities.

### VaR (Value at Risk) [Audited]

The VaR is a statistical measure indicating the worst loss expected for a given portfolio over a given time horizon and within a given confidence interval under normal market movements. It is not a maximum loss and it can potentially be exceeded in some cases, for example in the event of abnormal market conditions.

The BNP Paribas VaR methodology aims to accurately compute a one-day Value at Risk at the 99% confidence level. The BNP Paribas VaR calculation uses an internal model which has been approved by the banking supervisor.

The VaR calculation is based on a Monte-Carlo approach, which not only performs normal or log-normal simulations but also accounts for the non-normality often observed in financial markets as well as correlation between risk factors. An equally weighted one-year rolling window of historical market data (updated every month) is used to calibrate the Monte-Carlo simulation.

The principle groups of simulated factors includes: interest rates, credit spreads, exchange rates, equity prices, commodities prices, and associated volatilities. Changes in risk factors are proportional (share prices, volatility, CDS spreads) or absolute (rates excluding OIS, spreads, repo rates, correlations).

The valuation method used varies depending not upon the product but upon the type of risk we are capturing. To generalise, the methods used are either sensitivity based or full revaluation based on grid interpolation to incorporate both linear and, especially for derivatives, non-linear effects. In both cases, BNP Paribas calculates the general and specific risk as a whole, taking into account the diversification effect by correlating market parameters.

The algorithms, methodologies and sets of indicators are reviewed and improved regularly to take into account the capital market evolution.

The scope of the BNP Paribas internal model covers the majority of capital market activities (Global Markets, BNP Paribas Securities Services, ALM Treasury). As an indication, market risk based on standardised approach (excluding securitisation positions in the trading book) only represents 4% of the total market risk capital requirement at 31 December 2017, including foreign exchange risk.

VaR is a statistical measure that does not take into account losses outside a given confidence interval, and does not apply to losses related to intraday market movements. Other risk measures, such as Stressed VaR (SVaR), IRC and CRM, complement the BNP Paribas Group's market risk monitoring and management system.

### Evolution of the VaR (1-day, 99%) [Audited]

The VaR set out below are calculated from an internal model, which uses parameters that comply with regulation in place. They correspond to measurements taken into account within the framework of monitoring market limits. They are based on a one-day time horizon and a 99% confidence interval.

In 2017, total average VaR for BNP Paribas was EUR 26 million (with a minimum of EUR 18 million and a maximum of EUR 38 million), after taking into account the -EUR 31 million netting effect between the different types of risks. These amounts break down as follows:

**TABLE 69.A: VALUE AT RISK (1-DAY, 99%)** [Audited]

| | Year to 31 Dec. 2017 | | | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Minimum | Average | Maximum | Last measure | Average | Last measure |
| Interest rate risk | 13 | 17 | 28 | 16 | 25 | 20 |
| Credit risk | 9 | 13 | 17 | 11 | 16 | 12 |
| Foreign exchange risk | 4 | 10 | 24 | 6 | 18 | 14 |
| Equity price risk | 8 | 13 | 21 | 12 | 14 | 16 |
| Commodity price risk | 3 | 4 | 7 | 3 | 6 | 4 |
| *Netting effect(*)* | | *(31)* | | *(28)* | *(46)* | *(37)* |
| **TOTAL VALUE AT RISK** | **18** | **26** | **38** | **20** | **34** | **29** |

*(*) Note that the minimum and maximum figures shown above for the various risk types are computed on a standalone basis (i.e. independently from each other as well as the total VaR). While the minimum or maximum for each risk type may not necessarily observed on the same date, minimum/ maximum Netting Effects are not considered relevant. For minima and maxima, total VaR cannot be read as the sum of VaR by risk type.*

VaR (1-day, 99%) decreased over the course of the year (see Figure No. 11 hereafter) in line with changes in market parameters, in particular the rise in euro and US interest rates and the reduction in volatility observed in the markets, in addition with the maintaining Global Markets' hedging strategy.

## Backtesting the VaR

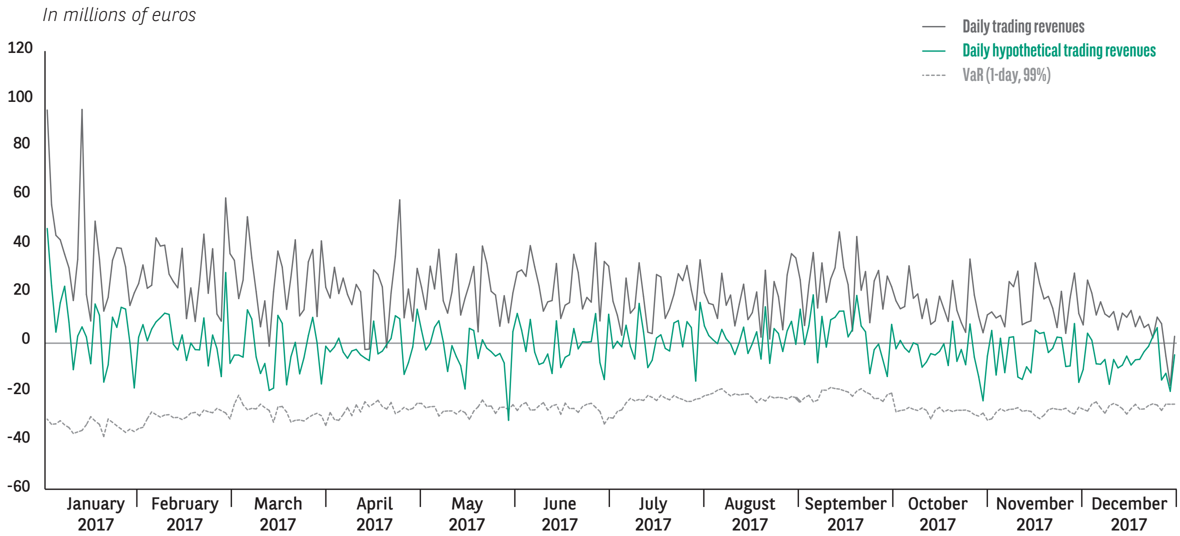
Risk continuously tests the accuracy of its internal model through a variety of techniques, including in particular a regular comparison over a long-term horizon between actual daily losses on capital market transactions and one-day VaR.

This backtesting consists of making a comparison between the daily global trading book VaR and the actual result. In accordance with the regulation, BNP Paribas supplements this "actual backtesting" method with a comparison between the daily VaR and the hypothetical result generated by the trading book, which is also known as "hypothetical backtesting". The hypothetical result includes all components of the actual result, except the intra-day revenues, fees and commissions. A backtesting event is declared when a real or hypothetical loss exceeds the daily VaR amount. The confidence interval selected for calculating daily VaR is 99%, which in theory means the observation of two to three events per year.

The number of events is calculated at least quarterly and is equal to the highest of the number of excesses for the hypothetical and actual variations in the portfolio value.

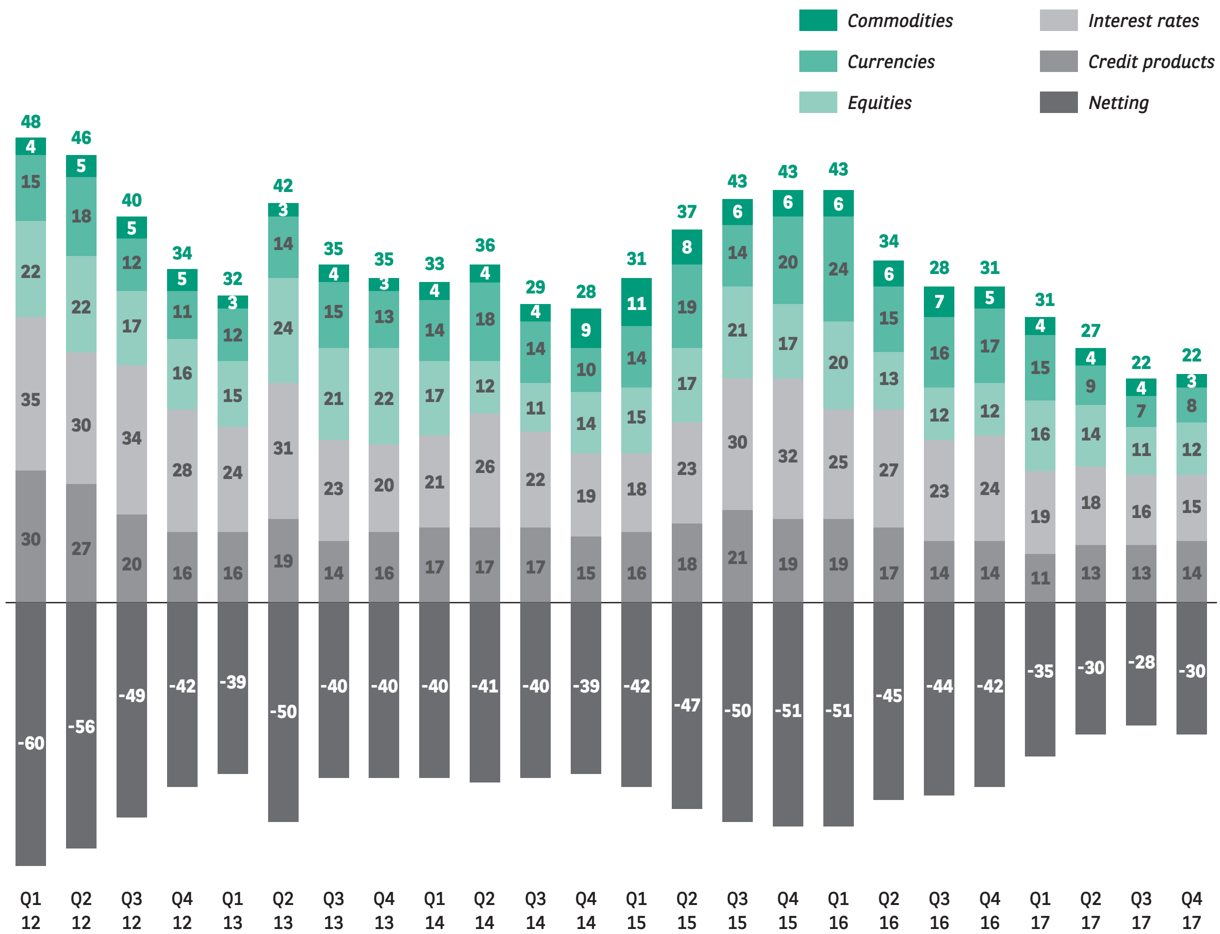
In 2017, a hypothetical backtesting event was recorded on 30 May (no actual backtesting event was observed). This hypothetical loss resulted from the combination of a set of small market movements which led to cumulative losses within different business lines of the Bank (without actually exceeding the authorised level of the businesses concerned).

➤ **FIGURE 10: COMPARISON BETWEEN VAR (1-DAY, 99%) AND DAILY TRADING REVENUE (EU MR4)** [Audited]




## Quarterly change in VaR

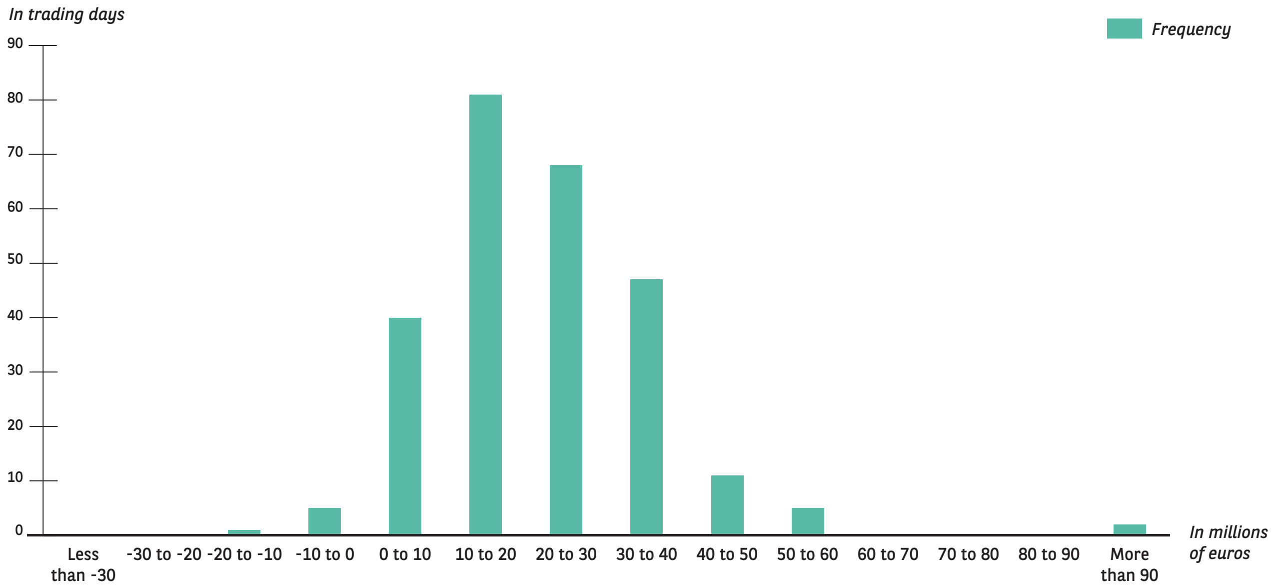
➤ **FIGURE 11: QUATERLY CHANGE IN VAR (1-DAY, 99%)**



## Distribution of daily income [Audited]

The following histogram presents the distribution of the actual daily trading revenue of BNP Paribas, including intra-day revenues, fees and commissions. It indicates the numbers of trading days during which the revenue reached each of the levels marked on the x axis, in millions of euro.

### FIGURE 12: DISTRIBUTION OF DAILY TRADING REVENUE [Audited]




Trading activities generated an actual positive result for 98% of the trading days in 2017, *versus* 93% in 2016.

## Evolution of the VaR (10-day, 99%) [Audited]

The VaR set out below are calculated from an internal model, which uses parameters that comply with the method recommended by the Basel Committee for determining estimated value at risk. They correspond to measurments taken into account within the framework of monitoring market limits. These are based on a ten-day time horizon and a 99% confidence interval, extrapolated from 1-day VaR amounts with the same confidence interval, by multiplying by a factor equal to the square root of 10.

In 2017, total average VaR (10-day, 99%) for BNP Paribas is EUR 81 million (with a minimum of EUR 58 million and a maximum of EUR 121 million), after taking into account the -EUR 98 million netting effect between the different types of risks. These amounts break down as follows:

### TABLE 69.B: VALUE AT RISK (10-DAY, 99%) [Audited]

| *In millions of euros* | Year to 31 Dec. 2017 | | | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|---|---|
| | Minimum | Average | Maximum | Last measure | Average | Last measure |
| Interest rate risk | 40 | 54 | 89 | 51 | 78 | 65 |
| Credit risk | 30 | 40 | 55 | 35 | 51 | 37 |
| Foreign exchange risk | 13 | 31 | 75 | 20 | 57 | 44 |
| Equity price risk | 24 | 42 | 67 | 38 | 45 | 51 |
| Commodity price risk | 8 | 12 | 22 | 9 | 19 | 13 |
| *Netting effect(*)* | | (98) | | (89) | (144) | (118) |
| **TOTAL VALUE AT RISK** | **58** | **81** | **121** | **64** | **106** | **92** |

*(*) Note that the minimum and maximum figures shown above for the various risk types are computed on a standalone basis (i.e. independently from each other as well as the total VaR). While the minimum or maximum for each risk type may not necessarily observed on the same date, minimum/ maximum Netting Effects are not considered relevant. For minima and maxima, total VaR cannot be read as the sum of VaR by risk type.*

## Stressed VaR

Stressed VaR is calibrated over a specified full 12-month period, including a crisis period. This period applies across the Group, which must have comprehensive market data to calculate the risk measurements and remain relevant when applied to the current trading book. An expert committee reviews the period on a quarterly basis in accordance with a quantitatively informed approach among the three scenarios that generate the maximum stressed risk measures.

The current reference period for calibrating stressed VaR is from 2 January 2008 to 31 December 2008.

BNP Paribas uses the same calculation method as for calculating VaR, with market parameters determined based on this reference period.

The SVaRs presented below are based on a one-day time horizon and a 99% confidence interval and correspond to measurements taken into account within the framework of monitoring market limits.

SVaR (1-day, 99%) followed a similar trend to VaR throughout 2017, also due to the hedging strategy implemented by Global Markets and in line in particular with changes in interest rates.

➤ **TABLE 70: STRESSED VALUE AT RISK (1-DAY, 99%)**

| | Year to 31 Dec. 2017 | | | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Minimum | Average | Maximum | Last measure | Average | Last measure |
| Stressed Value at Risk | 26 | 42 | 70 | 38 | 46 | 56 |

## Incremental Risk Charge (IRC)

The IRC approach measures losses due to default and ratings migration at the 99.9% confidence interval (i.e. the maximum loss incurred after eliminating the 0.1% worst events) over a capital and, liquidity or rebalancing frequency horizon of one year, assuming a constant level of risk on this horizon. The IRC scope mainly includes plain vanilla credit products (bonds and CDS, excluding securitised products) from the trading book.

This approach is used to capture the incremental default and migration risks on all non-securitised products.

The model is currently used in the risk management processes. This model was approved by the supervisor.

The calculation of IRC is based on the assumption of a constant level of risk over the one-year capital horizon, implying that the trading positions or sets of positions can be rebalanced during the one-year capital horizon in a manner that maintains the initial risk level, measured by the VaR or by the profile exposure by credit rating and concentration. This rebalancing frequency is called the liquidity horizon.

The model is built around a rating-based simulation for each obligor, which captures both the risk of the default as well as the risk of rating migration. The dependency between debtors is based on a multi-factor asset return model. The valuation of the portfolios is performed in each simulated scenario. The model uses a constant one-year liquidity horizon.

## Comprehensive Risk Measure (CRM) for credit correlation portfolio

CRM is an additional capital charge to the IRC which applies to the credit correlation portfolio (excluding securitisation products) from the trading book. It measures potential losses from a variety of specific price change risks (spread, correlation, recovery, credit migration, etc.) at the 99.9% confidence interval (i.e. the maximum loss incurred after eliminating the 0.1% worst events) over a capital and liquidity horizon or rebalancing frequency of one year, assuming a constant level of risk over this horizon.

The corporate correlation activity is an activity that consists of trading and risk managing mainly bespoke corporate CDOs and their hedges using single name CDS, CDS indices and index tranches. This activity falls under the structured credit activity trading within the Credit business line of Global Markets.

The valuation framework uses both market observable prices (particularly used for CDS, index and index tranches) and data established based on models for the implicit correlations and recovery rates, using the models of dependency between debtors used for the IRC.

5

## Summary of measures taken into account within the framework of monitoring market limits

### TABLE 71: INTERNAL MODEL APPROACH VALUES FOR TRADING PORTFOLIOS (EU MR3)

| | *In millions of euros* | Year to 31 December 2017 | Year to 31 December 2016 |
|---|---|---|---|
| | **VaR (10-day, 99%)** | | |
| 1 | Maximum | 121 | 188 |
| 2 | Average | 81 | 106 |
| 3 | Minimum | 58 | 63 |
| 4 | Last measure | 64 | 92 |
| | **SVaR (10-day, 99%)** | | |
| 5 | Maximum | 221 | 232 |
| 6 | Average | 133 | 146 |
| 7 | Minimum | 81 | 101 |
| 8 | Last measure | 120 | 178 |
| | **IRC(*) (99.9%)** | | |
| 9 | Maximum | 374 | 429 |
| 10 | Average | 226 | 274 |
| 11 | Minimum | 135 | 184 |
| 12 | Last measure | 188 | 233 |
| | **CRM(**) (99.9%)** | | |
| 13 | Maximum | 104 | 147 |
| 14 | Average | 59 | 70 |
| 15 | Minimum | 37 | 44 |
| 16 | Last measure | 47 | 80 |

*(*) Incremental Risk Charge.*
*(**) Comprehensive Risk Measure.*

## Securitisation positions in trading book outside correlation portfolio

For securitisation positions treated as financial assets at fair value for accounting purposes, changes in market value, except accrued interest on fixed income securities, are recognised in the profit and loss account under "Net gain/loss on financial instruments at fair value through profit or loss".

Trading book securitisation positions deducted from CET1 capital since 31 December 2017 are excluded from the calculation of risk-weighted assets with respect to market risk. They are therefore not included in the following tables. At 31 December 2017, securitisation positions in the trading book deducted from CET1 capital amounted to EUR 27 million.

For Trading Book ABS positions outside the correlation book, the standardised capital charge applies (as per the standard method for banking books). The capital requirements are therefore calculated by applying a weighting to the risk-weighted assets (RWA), which is determined on the basis of the asset's external rating. The capital calculation are based on the second worst rating of the three rating agencies.

## TABLE 72: BREAKDOWN OF TRADING BOOK SECURITISATION POSITIONS(*) OUTSIDE CORRELATION BOOK BY ASSET TYPE

| *In millions of euros* | Securitisation positions | | | |
|---|---|---|---|---|
| | 31 December 2017 | | 31 December 2016 | |
| Asset category | Short positions | Long positions | Short positions | Long positions |
| Residential mortgages | | 209 | | 53 |
| Consumer loans | | 21 | | 16 |
| Credit card receivables | | 53 | | 35 |
| Loans to corporates | | 4 | | 0 |
| Finance leases | | 214 | | 89 |
| Other assets | | - | | 77 |
| **TOTAL BALANCE SHEET** | | **502** | | **270** |
| Residential mortgages | | 0 | | 22 |
| Loans to corporates | | 500 | | 252 |
| **TOTAL OFF-BALANCE SHEET** | | **501** | | **274** |
| **TOTAL** | **-** | **1,002** | **-** | **543** |

(*) *Excluding securitisation positions deducted from CET1 capital.*

## TABLE 73: QUALITY OF TRADING BOOK SECURITISATION POSITIONS(*) OUTSIDE CORRELATION BOOK

| *In millions of euros* | Securitisation positions | | | |
|---|---|---|---|---|
| | 31 December 2017 | | 31 December 2016 | |
| Tranche quality | Short positions | Long positions | Short positions | Long positions |
| Senior tranche | | 731 | | 325 |
| Mezzanine tranche | | 268 | | 176 |
| First-loss tranche | | 3 | | 42 |
| **TOTAL** | **-** | **1,002** | **-** | **543** |

(*) *Excluding securitisation positions deducted from CET1 capital.*

## ➤ TABLE 74: BREAKDOWN OF TRADING BOOK SECURITISATION POSITIONS(*) AND CAPITAL REQUIREMENT OUTSIDE CORRELATION BOOK BY RISK WEIGHT

| *In millions of euros* | 31 December 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Securitisation positions | | | | | | Capital requirements | | |
| | Short positions | | | Long positions | | | | | |
| Risk weight | Securitisation | Re-securitisation | Total | Securitisation | Re-securitisation | Total | Short positions | Long positions | Total |
| 7% – 10% | | | | 688 | | 688 | | 6 | 6 |
| 12% – 18% | | | | 80 | | 80 | | 1 | 1 |
| 20% – 35% | | | | 56 | | 56 | | 2 | 2 |
| 40% – 75% | | | | 90 | | 90 | | 7 | 7 |
| 100% | | | | 8 | | 8 | | 1 | 1 |
| 250% | | | | | | | | | |
| 425% | | | | 46 | | 46 | | 18 | 18 |
| 650% | | | | 33 | | 33 | | 18 | 18 |
| **External ratings based method** | | | | **1,002** | | **1,002** | | **53** | **53** |
| **1,250%** (*) | | | | - | | - | | - | - |
| **TOTAL** | **0** | **-** | **0** | **1,002** | | **1,002** | | **53** | **53** |

(*) *Excluding securitisation positions deducted from CET1 capital.*

| *In millions of euros* | 31 December 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Securitisation positions | | | | | | Capital requirements | | |
| | Short positions | | | Long positions | | | | | |
| Risk weight | Securitisation | Re-securitisation | Total | Securitisation | Re-securitisation | Total | Short positions | Long positions | Total |
| 7% – 10% | | | | 292 | | 292 | | 2 | 2 |
| 12% – 18% | | | | 79 | | 79 | | 1 | 1 |
| 20% – 35% | | | | 38 | 0 | 38 | | 1 | 1 |
| 40% – 75% | | | | 32 | | 32 | | 2 | 2 |
| 100% | | | | 30 | | 30 | | 3 | 3 |
| 250% | | | | | | | | | |
| 425% | | | | 16 | | 16 | | 6 | 6 |
| 650% | | | | 14 | | 14 | | 8 | 8 |
| **External ratings based method** | | | | **501** | | **501** | | **22** | **22** |
| **1,250%** | | | | **42** | | **42** | | **42** | **42** |
| **TOTAL** | **-** | **-** | **-** | **543** | **0** | **543** | **0** | **64** | **64** |

## MARKET RISK STRESS TESTING FRAMEWORK

A range of stress tests are performed to simulate the impact of extreme market conditions on the value on the global trading books. Stress tests cover all market activities applying a range of stressed market conditions.

### Scenarios

The fundamental approach of the current trading book stress testing framework combines "bottom up" and "top down" stress testing:

- Macro Level Scenarios (top down) comprise the evaluation of a set of global level stress tests. These scenarios assess the impact of severe market moves on BNP Paribas trading positions related to large global or major regional market shock events. They can be based on historical events or forward-looking hypothetical scenarios. Scenarios include events such as an emerging markets crisis, credit crunch and a stock market crash, and some are based on past crises.

  The official macro stress tests scenarios currently comprise a range of eight different stress tests. The results of these scenarios are reviewed at each Capital Markets Risk Committee (CMRC). The scenarios are:

  - Scenario 1: unexpected rate hike, driving short-term rates higher with a flattening of the interest rate curve,
  - Scenario 2: stock market crash, with a flight to quality assets leading to a drop and a steepening of the interest rate curve,
  - Scenario 3: generic emerging market crisis designed to test global risk of these markets,
  - Scenario 4: credit crunch, leading to a general risk aversion,
  - Scenario 5: euro crisis, low GDP expectations, potential threat of a country leaving the euro and a significant weakening of the currency,
  - Scenario 6: energy crisis driven by severe geopolitical turmoil with serious consequences on energy markets,
  - Scenario 7: US crisis, mostly based on a structural US crisis spreading round the globe,
  - Scenario 8: risk-on scenario: rally in equity and emerging markets, low realised volatility and drop in implied volatility in all markets (effectively a return to risky assets);
- Micro Level Scenarios (bottom up): instead of looking at the effect on the global portfolio, these types of scenarios aim to highlight risk exposures on specific trading desks, regions or risk concentrations. This bottom up approach enables the use of more complex stress scenarios and hence allows the detection of areas of potential losses which may not be easily achieved under the global macro scenarios (such as complex market dislocations or idiosyncratic risk). This bottom up process also facilitates the classification of risk areas into those where there may be less liquidity or where the risk may be more structural in nature.

### Process

It is the analysis of the above scenarios which enables the adverse scenario for the trading books to be constructed. The official stress scenario is presented at each Capital Markets Risk Committee along with the adverse global stress scenarios and any bottom up stress test yielding significant results.

The results of all stress tests are reviewed regularly by Executive Management and sent to the Board of Directors.

The scenarios take market liquidity into account by simulating the drying up of certain assets or product liquidity as the stress event unfolds. To understand this process, it can be simplified by considering an approach where the time horizon for the stress shock can vary between different instruments/assets (hence more advanced scenarios can take certain idiosyncratic factors into account). Moreover, it may sometimes be required to quantify the impact of a stress event occurring with re-hedging assumptions factored into part of the exposure under stress.

Stress testing is governed by the Capital Markets Stress Testing Steering Committee (STSC). The committee meets monthly and sets the direction of all internal risk departmental stress scenario developments, infrastructure, analysis and reporting. The STSC governs all internal stress testing matters relating to both market and counterparty risk and decides upon the detailed definition of the CMRC Stress Tests.

Stress testing is the core element of the tail risk analysis, which is also captured through the stressed Value at Risk, the Incremental Risk Charge and the Comprehensive Risk Measure. Furthermore, the risk of a rare event used in the form of the "average loss in addition to VaR" (Expected Shortfall) in allocating capital in respect of market risk between business lines is an additional element allowing tail risk in the management and monitoring of market risk to be taken into account.

# MARKET RISK RELATED TO BANKING ACTIVITIES

Interest rate and foreign exchange risks related to banking intermediation activities and investments are managed by the cross-functional ALM Treasury Department. At Group level, the ALM-Treasury Department is directly overseen by the Chief Operating Officer. BNP Paribas SA's ALM Treasury Department exercises functional authority over the ALM Treasury teams of each entity or group of entities covering the entire Group perimeter. Strategic decisions are made by the Asset and Liability Committee (ALCo), which oversees ALM Treasury's activities. These committees have been set up at Group, entity or group of entities level.

The foreign exchange risk gives rise to a weighted assets calculation under Pillar 1. The interest rate risk falls under Pillar 2.

## FOREIGN EXCHANGE RISK

### Calculation of risk-weighted assets

Foreign exchange risk relates to all transactions part of the banking book.

Group entities calculate their net position in each currency, including the euro. The net position is equal to the sum of all asset items less all liability items plus off-balance sheet items (including the net forward currency position and the net delta-based equivalent of the currency option book), less structural, non-current assets (long-term equity interests, property, plant and equipment, and intangible assets). These positions are converted into euros at the exchange rate prevailing on the reporting date and aggregated to give the Group's overall net open position in each currency. The net position in a given currency is long when assets exceed liabilities and short when liabilities exceed assets. For each Group entity, the net currency position is balanced in the relevant currency (*i.e.* its reporting currency) such that the sum of long positions equals the sum of short positions.

The rules for calculating the capital requirement for foreign exchange risk are as follows:

- matched positions in currencies of Member States participating in the European Monetary System are subject to a capital requirement of 1.6% of the value of the matched positions;
- CFA and CFP francs are matched with the euro, and are not subject to a capital requirement;
- positions in closely correlated currencies are subject to a capital requirement of 4% of the matched amount;
- other positions, including the balance of unmatched positions in the currencies mentioned above, are subject to a capital requirement of 8% of their amount.

The amounts involved are set out in Table 67: *Market risk under the standardised approach (EU MR1)*.

### Foreign exchange risk and hedging of net income generated in foreign currencies [Audited]

So-called "operating" foreign exchange risk exposure relates to net earnings generated by activities conducted in currencies other than the functional currency of the entity concerned. The Group's policy is to hedge the variability of its net income due to currency movements. To this end, earnings generated in a currency other than the functional currency of a given entity of the Group are hedged locally. Net income generated by foreign subsidiaries and branches and positions relating to portfolio impairment are managed centrally.

### Foreign exchange risk and hedging of net investments in foreign operations [Audited]

The so-called "structural" foreign exchange position of an entity relates to investments in currencies other than the functional currency. This position mainly results from the capital endowment of the branches and equity investments in foreign currencies financed by buying the investment currency. This structural foreign exchange position, adjusted for any intangibles, constitutes asset exposure.

The Group's policy is to hedge portfolio exposure to liquid currencies, while at the same time maintaining the solvency ratio's limited sensitivity to exchange rate fluctuations. For this, borrowings in the same currency as the investment are used as an alternative to financing by purchasing the currency in question. Borrowings are recognised as hedges of investments.

## INTEREST RATE RISK [Audited]

Interest rate risk in the banking book, or global interest rate risk, is the risk of variability in results as a result of mismatches in interest rates, maturities and nature between assets and liabilities in the banking book. This risk arises in non-trading portfolios.

### Organisation of the Group interest risk management

The Board of Directors assigns responsibility to the Chief Executive Officer for management of interest rate risk in the banking book. The Board of Directors is informed quarterly on the principles governing interest rate policy and the Group's position through the Internal Control, Risk and Compliance Committee (CCIRC).

The Chief Executive Officer delegates management responsibility to the Group ALM Committee (ALM stands for Asset and Liability Management). The permanent members of the Group ALM Committee are the Chief Operating Officer (Chairman), the Deputy COOs heading up core businesses, the Group Chief Risk Officer, the Group Chief Financial Officer, the Group ALM Treasury Head, and the Head of General Inspection. The Group ALM Committee is responsible for defining the Group's interest rate risk profile, defining and tracking interest rate risk monitoring indicators and assigning limits.

ALM Treasury is responsible for the analysis of the management proposals and operational implementation of decisions related to managing the interest rate risk of the banking book as part of its delegated management.

The Risk Function participates in the Group ALM Committee and the local ALM Treasury Committees (ALCo) and oversees implementation by ALM Treasury of the relevant decisions made by these committees. It also provides second-line control by reviewing the models and risk indicators, monitoring the level of risk indicators and ensuring compliance with the limits assigned.

The banking book consists of the Group's total bank balance sheet, excluding trading book transactions. This includes intermediation transactions (deposits, loans, etc.), non-commercial balance sheet items (equity, fixed assets, etc.) and banking book risk management activities, including derivatives used for the management of interest rate risk on the banking book (notably when they are ineligible for hedge accounting under IFRS/GAAP).

Banking book interest rate risk in each BNP Paribas entity is systematically transferred to ALM Treasury, through internal analytic contracts or lending/borrowing transactions. For the Group as a whole, ALM Treasury is responsible for managing the interest rate risk transferred in this way.

Decisions concerning the management of interest rate risk are made and monitored during monthly or quarterly committee meetings by entity or group of entities, attended by representatives of local ALM Treasury, Group ALM Treasury, Finance and Risk Functions and senior management of the entities and/or businesses. Management of interest rate risk is done locally within each entity or group of entities.

## Measurement of interest rate risk

Rate positions are measured taking into account the specific features of the risks managed. Hence, the Group has defined the concepts of standard rate risks and structural rate risks. The standard rate risk corresponds to the general case, namely when it is possible to define the most appropriate hedging strategy for a given transaction. The structural rate risk is the interest rate risk for equity and non-interest-bearing current accounts: these balance sheet items generate regular revenues but are sensitive to interest rate levels. However it is not possible to define a single hedging strategy to fully neutralise this sensitivity. In this case, the Group included all the possible so-called "neutral" management strategies in terms of interest rate risk.

Interest rate risks are analysed in terms of interest rate gaps that measure for each future period the potential rate characteristic mismatches between assets and liabilities (fixed rate and indexation type). In the interest rate gaps, the optional effects, in particular linked to behavioural options, are embedded and translated into their delta equivalent.

The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behaviour. For Retail Banking products, behavioural models are based on historical or forward data and econometric studies. These possible management strategies notably relate to early redemption and savings accounts. Moreover, the maturities of non-interest-bearing current accounts and of equity are calculated according to a more conventional approach defining a range of investments taking into account the objective of stabilising results and stability of deposits.

Interest rate risk is also measured through indicators of the sensitivity of revenues to interest rate changes on a going concern basis, incorporating dynamic changes in balance sheet items. This enables the partial or zero correlation between customer interest rates and market interest rates to be taken into account on the one hand, and the volume sensitivities to interest rates on the other hand, which create a risk to future revenues.

The choice of indicators and risk modelling are reviewed by Risk. The results and the adjustments following these reviews are presented and monitored to the committees on a regular basis.

The interest rate risk measurement indicators are consistently presented to the ALCos and serve as the basis for operating risk management decisions.

As stated in the introduction to the section *Market risk related to banking activities*, the interest rate risk comes under Pillar 2.

## Risk limits

Interest rate risk indicators span the entire banking book.

The interest rate gaps are subject to interest rate risk limits across all time horizons. These limits are calibrated based on the nature of the risks (standard or structural) at Group and entity level. They are reviewed annually.

The revenue sensitivity indicator is subject to limits and a warning threshold relative to the overall sensitivity level, which is broken down by divisions and in the main entities. Moreover, the Group regularly monitors the impact of stress scenarios on the revenues.

Transactions that do not qualify for hedge accounting under IFRS are subject to specific limits.

## Sensitivity of revenues to global interest rate risk

These sensitivities are calculated on the total banking book. They factor in the direct impacts of market rates and business trends over a period of up to three years. In addition, indirect effects on commercial activity linked to changes in outstandings and customer rates, notably the effects of inertia on margins of changes in interest rates (tightening – or widening – of margins on loans with an upward – or downward – in interest rate moves and conversely on deposit) are taken into account in accordance with the recommendations of the Basel Committee published in 2016.

The consolidated indicator is presented in the table hereafter. Over one-, two- and three-year timeframes, the sensitivity of revenues to a parallel, instantaneous and definitive increase in market rates of 50 basis points (+0.5%) across all currencies has a positive impact of respectively EUR 193 million, EUR 515 million and EUR 683 million, or 0.4%, 1.2% and 1.6% of the Group's revenues.

In a very low or negative interest rate environment, the effects of a 0% floor on customer deposit rates lead to an increase in non-interest-bearing current accounts. These increases in non-interest-bearing current account balances, that are deemed temporary, are invested over conservative horizons. They thus contribute to the sensitivity of revenues through their forecast replacements. In addition, in rising interest rate scenarios, the rate of migration of these deposits towards interest-bearing accounts has been taken into account leading to a sensitivity assymetry.

**TABLE 75: SENSITIVITY OF REVENUES TO GLOBAL INTEREST RATE RISK BASED ON A 50 BASIS POINT INCREASE OR DECREASE IN THE INTEREST RATES** [Audited]

| Sensitivity of 2017 revenues *In millions of euros* | For +50bp shock | | | | For -50 bp shock | | | |
|---|---|---|---|---|---|---|---|---|
| | EUR | USD | Other currencies | Total | EUR | USD | Other currencies | Total |
| Year 1 | 117 | 52 | 24 | 193 | (67) | (53) | (28) | (148) |
| Year 2 | 437 | 44 | 33 | 515 | (421) | (52) | (32) | (506) |
| Year 3 | 553 | 81 | 48 | 683 | (787) | (96) | (47) | (930) |

| Sensitivity of 2016 revenues *In millions of euros* | For +50bp shock | | | | For -50bp shock | | | |
|---|---|---|---|---|---|---|---|---|
| | EUR | USD | Other currencies | Total | EUR | USD | Other currencies | Total |
| Year 1 | 77 | 41 | (7) | 112 | (41) | (48) | (11) | (100) |
| Year 2 | 331 | 46 | 29 | 405 | (247) | (52) | (44) | (343) |
| Year 3 | 581 | 85 | 52 | 719 | (501) | (93) | (62) | (656) |

### Sensitivity of the value of the net assets of the banking intermediation activity

As the assets and liabilities of the Group's banking intermediation business are not intended to be sold, they are not recognised or managed on the basis of their theoretical economic value measured by discounting future cash flows. Similarly, the theoretical economic value of the net assets does not affect the Group's capital.

However, pursuant to the regulatory requirements and calculation methods laid down by the European Banking Authority (EBA), the ratios of sensitivity to variations of +/-200 basis points (+/-2%) in interest rates, of the theoretical economic value of the net assets of the intermediation business in relation to Tier 1 and Tier 2 capital are regularly calculated. These ratios are compared to the 20% threshold used by the supervisor to identify situations where interest rate risk in the banking book may be material. At end-2017, the ratio was +6.3% for a 200-basis-point decrease and -8.3% for a 200-basis-point increase. These values are both well below the materiality threshold of 20%. To account for negative rates, no floor is applied to market rate levels.

## HEDGING OF INTEREST RATE AND FOREIGN EXCHANGE RISKS [Audited]

Hedges initiated by the Group consist mainly of interest rate or currency hedges using derivative financial instruments (swaps, options and forwards).

Depending on the hedging objective, derivative financial instruments used for hedging purposes are qualified either as fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy, identifies the hedged item and the hedging instrument, and the nature of the hedged risk; and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

### Global interest rate risk

The Bank's strategy for managing global interest rate risk is based on closely monitoring the sensitivity of the Bank's net income to changes in interest rates, factoring in all interest rate risks. The aim is to ensure the stability and regularity of the interest margin. This monitoring requires an extremely accurate assessment of the risks incurred so that the Bank can determine the hedging strategy, after taking into account the effects of netting the different types of risk. These hedging strategies are defined and implemented by entity and by currency.

The hedges can comprise swaps and options and are typically accounted for as fair value hedges or cash flow hedges. They may also take the form of government securities and are mostly accounted in the "Available-for-Sale" category.

Economic activity in 2017 was robust worldwide. In this context, the Fed continued to gradually normalise monetary conditions in the United States, increasing its key rate three times and initiating its programme to reduce the size of its balance sheet, as well as announcing further interest rate hikes for 2018. However, US long-term rates ended 2017 at a similar level to that of end-2016. In Europe, the ECB maintained its accommodative monetary policy throughout the year, preparing the markets for adaptations to come, in particular the slowdown in the Quantitative Easing programme over the first nine months of 2018. Even though inflation remained relatively low in 2017, the ECB's central scenario is in fact that of a gradual increase towards its target level. In addition to volatility relating in particular to the election climate in certain countries in the euro zone, including France, long-term interest rates tended to increase slightly, even though they remain very low overall.

The phenomena of early repayments and rate renegotiations, which were still significant at the start of the year, declined gradually as a result of the increase in long-term rates and at the end of the year returned to close to minimum levels (in France, Belgium and Italy). In view of the context of continuing negative short-term rates in Europe, the structure of savings continued to change in favour of non-interest bearing current accounts. In order to anticipate the potential consequences of a rise in short-term rates, the investment horizon for current accounts was shortened.

In 2017, the ECB conducted a regulatory stress test focused on the scope of interest rate risk for the banking book. The main European banks took part in this exercise, which demonstrated the Group's resilience to the various interest rate scenarios defined by the ECB.

## Structural foreign exchange risk

Currency hedges are contracted by the ALM Treasury in relation to the Group's investments in foreign currencies and its future foreign currency revenues. Each hedging relationship is formally documented at inception. The documentation describes the hedging strategy, identifies the hedged item and the hedging instrument, and the nature of the hedged risk and describes the methodology used to test the expected (prospective) and actual (retrospective) effectiveness of the hedge.

A hedging relationship is applied and documented for investments in subsidiaries and branches financed by foreign currency loans so as to record movements in exchange rates symmetrically and avoid impacts on the profit and loss account. These instruments are designated as net investment hedges.

Fair value hedges are used to hedge the currency risk on equity investments in non-consolidated companies.

During the 2017 financial year, no net investment hedging relationships were disqualified.

## Hedging of financial instruments recognised in the balance sheet (Fair Value Hedge)

Fair value hedges of interest rate risks relate either to identified fixed-rate assets or liabilities, or to portfolios of fixed-rate assets or liabilities. Derivatives are contracted to reduce the exposure of the fair value of these instruments to changes in interest rates.

Individual assets hedging consists mainly of available-for-sale securities; individual liabilities hedging consists mainly of fixed income securities issued by the Group.

Hedges of portfolios of financial assets and liabilities, constructed by currency, relate to:

- fixed-rate loans (property loans, equipment loans, consumer credit and export loans);
- fixed-rate deposits (mainly demand deposits and funds deposited under home savings contracts).

To identify the hedged amount, the residual balance of the hedged item is split into maturity bands, and a separate amount is designated for each band. The maturity split is determined on the basis of the contractual terms of the transactions and historical observations of customer behaviour (early redemption assumptions and estimated default rates).

Demand deposits, which do not bear interest at contractual rates, are qualified as fixed-rate medium-term financial liabilities. Consequently, the value of these liabilities is sensitive to changes in interest rates. Estimates of future cash outflows are based on historical analyses.

For each hedging relationship, expected hedge effectiveness is measured by ensuring that for each maturity band, the fair value of the hedged items is greater than the fair value of the designated hedging instruments.

Actual effectiveness is assessed on an ex-post basis by ensuring that the monthly change in the fair value of hedged items since the start of the month does not indicate any over-hedging.

## Cash Flow Hedge

In terms of interest rate risk, the Group uses derivative instruments to hedge fluctuations in income and expenses arising on floating-rate assets and liabilities. Highly probable forecast transactions are also hedged. Hedged items are split into maturity bands by currency and benchmark interest rate. After factoring in early redemption assumptions and estimated default rates, the Group uses derivatives to hedge some or all of the risk exposure generated by these floating-rate instruments.

In terms of foreign exchange risk, the Group hedges against variability in components of consolidated net income. In particular, the Group may hedge future revenue flows (especially interest income and fees) derived from operations carried out by its main subsidiaries and/or branches in a currency other than their functional currencies. As in the case of interest rate hedges, the effectiveness of these hedging relationships is documented and assessed on the basis of forecast maturity bands.

The table below concerns the scope of BNP Paribas SA's medium- and long-term transactions and shows the amount of hedged future cash flows (split by forecast date of realisation), which constitute the majority of the Group's transactions.



**TABLE 76: HEDGED CASH FLOWS** [Audited]

| | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| **Period to realisation** *In millions of euros* | Less than 1 year | 1 to 5 years | More than 5 years | Total | Less than 1 year | 1 to 5 years | More than 5 years | Total |
| Hedged cash flows | 427 | 1,285 | 1,029 | 2,740 | 381 | 1,197 | 1,004 | 2,582 |

In the course of 2017, several future earnings hedging relationships were declassified because it was no longer highly likely that these future earnings would be achieved, which had an immaterial impact on the balance sheet and income statement.

# 5.8 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to honour its commitments or unwind or settle a position due to the market environment or idiosyncratic factors (i.e. specific to BNP Paribas), within a given timeframe and at a reasonable cost.

Liquidity risk reflects the risk of the Group being unable to fulfil current or future foreseen or unforeseen cash or collateral requirements, across all time horizons, from the short to the long term.

This risk may stem from the reduction in funding sources, draw down of funding commitments, a reduction in the liquidity of certain assets, or an increase in cash or collateral margin calls. It may be related to the bank itself (reputation risk) or to external factors (risks in some markets).

The Group's liquidity risk is managed under a global liquidity policy approved by the Group's ALM Committee. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The Group's liquidity position is assessed on the basis of internal indicators and regulatory ratios.

## LIQUIDITY RISK MANAGEMENT POLICY [Audited]



### OBJECTIVES

The objectives of the Group's liquidity management policy are to secure a balanced financing structure for the development of BNP Paribas business activities, and to ensure it is sufficiently robust to cope with crisis situations.

The liquidity risk management framework relies on:

- management indicators:
  - by volume, to ensure that businesses or activities comply with their liquidity targets set in line with the Group's funding capacity,
  - by price, via internal liquidity pricing;
- the definition of monitoring indicators which enable assessment of the Group's liquidity position under normal conditions and in crisis situations, the efficiency of actions undertaken and compliance with regulatory ratios;
- the implementation of liquidity risk management strategies based on diversification of funding sources with maturities in line with needs, and the constitution of liquidity reserves.

The Group's liquidity policy defines the management principles that apply across all Group entities and businesses and across all time horizons.

### GOVERNANCE

As for all risks, the Group Chief Executive Officer is granted authority by the Board of Directors to manage the Group's liquidity risk. The Chief Executive Officer delegates this responsibility to the Group ALM Committee.

The Internal Control, Risk and Compliance Committee (CCIRC) reports quarterly to the Board of Directors on liquidity policy principles and the Group's liquidity position.

The Group ALM Committee is responsible for:

- defining the Group's liquidity risk profile;
- monitoring compliance with regulatory liquidity ratios;
- defining and monitoring management indicators and calibrating the quantitative thresholds set for the Bank's businesses;
- defining and monitoring liquidity risk indicators and associating quantitative thresholds to them if necessary;
- defining and overseeing implementation of liquidity risk management strategies, including monitoring of business lines, under normal and stressed conditions.

In particular, the Group ALM Committee is informed about funding programmes and programmes to build up liquidity reserves, simulations in crisis conditions (stress tests), and about all events that may arise in crisis situations.

The Group ALM Committee is tasked with defining the management approach in periods of crisis (emergency plan). This framework is based on:

- supervision of the emergence of a crisis by monitoring the market position and complying with thresholds set for a series of indicators;
- governance of the activation of crisis management mode and the associated responsibilities;
- identification of possible actions for managing a crisis.

The Group ALM Committee meets every month under normal conditions and more often in stressed conditions. On a regular basis, specific meetings are dedicated to the business lines' monitoring indicators, notably to ensure that they comply with the set objectives. The Group ALM Committee may hold meetings to deal with specific issues whenever required.

The permanent members of the Group ALM Committee are the Chief Operating Officer (Chairman), the Deputy COOs heading up core businesses, the Chief Risk Officer, the Group Chief Financial Officer and the Group ALM Treasury Head. Other members represent the Risk Function, Finance Function and ALM Treasury.

Across the Group, ALM Treasury is responsible for the operational implementation of the Group ALM Committee's liquidity management decisions. The ALM Treasury Committees in entities or groups of entities are responsible for local implementation of the strategy decided by the Group ALM Committee to manage the bank's liquidity risk.

ALM Treasury is responsible for managing liquidity for the entire Group across all maturities. In particular, it is responsible for funding and short-term issuance (certificates of deposit, commercial paper, etc.), for senior and subordinated debt issuance (MTNs, bonds, medium/long-term deposits, covered bonds, etc.), preferred share issuance, and loan securitisation programmes for the Group. ALM Treasury is tasked with providing internal funding to the Group's divisions, operational entities and business lines, and investing their surplus cash. It is also responsible for building up and managing liquidity reserves, which comprise assets that can be easily sold in the event of a liquidity squeeze.

Risk participates in the Group ALM Committee and the local ALM Treasury Committees and oversees implementation by ALM Treasury of the relevant decisions made by these committees. It provides second-line control by reviewing the models and risk indicators (including liquidity stress tests), monitoring risk indicators and ensuring compliance with the limits assigned.

Finance is responsible for producing the regulatory liquidity indicators, as well as the internal monitoring indicators. Finance oversees the consistency of the internal monitoring indicators with the objectives defined by the Group ALM Committee. Finance takes part in the Group ALM Committee and the local ALM Treasury Committees.

# LIQUIDITY RISK MANAGEMENT AND SUPERVISION

Internal liquidity risk management and internal monitoring are based on a large range of indicators at various maturities. These indicators are measured on a regular basis by currency and maturity, both at Group level and entity level.

## BUSINESS LINES' INTERNAL MONITORING INDICATORS

The monitoring indicators relate to the funding needs of the Group's businesses under both normal and stressed conditions. These monitoring indicators are part of the Group's budget planning exercise with set objectives that are routinely monitored (monthly).

### Funding needs of the Group's businesses

The funding needs associated with the activity of the Group's businesses are managed in particular by measuring the difference between commercial funding needs (customer loans and overdrafts, trading assets) and commercial funding resources (customer deposits, sale of the Group's debt securities to customers, trading liabilities, etc.). This indicator makes it possible to measure the business lines' liquidity consumption under a normal business scenario.

It is supplemented by indicators to measure the funding needs of the business lines in one month and one year depending on the assumptions defined by European regulations in force (Liquidity Coverage Ratio) or anticipated in a one-year perspective (Net Stable Funding Ratio).

In addition to this commercial funding need indicators, the Group closely monitors the liquidity reserves and the refinancing provided by ALM Treasury, as well as the Group's structural resources (i.e. net own funds).

The overall management of the business funding needs, the Group's structural resources, funding and liquidity reserves made by the ALM – Treasury allows the Group to achieve a structurally robust liquidity situation able to resist severe market stress.

Business lines' consumption of liquidity is thus integrated in the Group's budget process, wherein each business line estimates its future liquidity needs, in keeping with its profitability targets and capital consumption objectives. During the iterative budget process, liquidity consumption objectives are allotted to the business lines, taking into account the funding provided by ALM Treasury and structural resources, in line with the Group's overall target. This process is regularly renewed, monitored and adjusted as appropriate throughout the year by the Group ALM Committee.

### Internal liquidity pricing

All of the Group's assets and liabilities are subject to internal liquidity pricing, the principles of which are decided by the Group ALM Committee and aim to take account of trends in the cost of market liquidity and the balance between assets and liabilities within the Group's development strategy.

### Change in recent years

In 2017, business lines' consumption of liquidity increased slightly, supported by growth in lending, particularly in the domestic markets in France and in Belgium, as well as in Personal Finance. At the same time, growth in deposits was contained over the course of the year in a context in which the Group broadly had surplus liquidity and wanted to limit the cost of these resources.

At end-2017, the net funding need of the businesses was low and largely covered by Group's net own funds, leading to excess liquidity before taking funding provided by the ALM – Treasury into account.

In the context, all of the funding provided by ALM Treasury was used to finance the liquidity reserve, while also correcting the term structure differences between assets and liabilities and with the aim of preparing for future TLAC and MREL requirements.

## WHOLESALE FUNDING AND LIQUIDITY RESERVE MONITORING INDICATORS

### Sources of wholesale funding [Audited]

In 2016, the Group adopted a broad definition of wholesale funding, covering all funds excluding those provided by:

- retail customers, SMEs and corporates;
- institutional clients for their operating needs (e.g. portion needed for custody management);
- monetary policy and funding secured by market assets.

This definition is broader than market funding. For example, it includes medium- to long-term debt placed in funds for individuals and, in the short-term portion, non-operating deposits in the Securities Services business.

The Group has a conservative policy for the management of its wholesale funding by ensuring that it does not depend on very short-term funding and diversifying these funding sources.

Thus, wholesale funding with an original maturity of less than one month, so-called very short-term wholesale funding, is systematically "sterilised" by being placed in immediately-available deposits in central banks so that they are not used to fund the Group's business.

The Group ensures that short-term wholesale funding (with original maturity of between 1 month and one year) is diversified in terms of counterparty, business sector and residual maturity. Any excess concentration on one of these criteria is systematically "sterilised" and placed in central bank deposits.

Medium-to long-term wholesale market funding (with original maturity over 1 year) is diversified in terms of investor type, distribution network, financing programme (secured or unsecured), and by geographical area to ensure diversification. Furthermore, the Group aims to optimise the term structure of its funding operations.

At end-2017, sterilised very short-term wholesale funding totalled EUR 69 billion (leading to the sterilisation of an equivalent amount in the Group's liquidity reserve), diversified short-term wholesale funding totalled EUR 121 billion and diversified medium-to long-term wholesale funding totalled EUR 150 billion.

### ➤ TABLE 77: BREAKDOWN OF THE GROUP WHOLESALE FUNDING BY CURRENCY [Audited]

The breakdown of wholesale funding by currency (after cross-currency swaps) corresponds to the Group's needs and to a diversification objective.

| *In billions of euros* | 31 December 2017 | | | |
|---|---|---|---|---|
| | EUR | USD | Others | All currencies |
| Sterilised very short-term wholesale funding | 32.9 | 22.3 | 13.7 | 68.9 |
| Short-term wholesale funding | 48.9 | 42.8 | 29.1 | 120.8 |
| Medium- to long-term wholesale funding | 89.0 | 39.4 | 21.3 | 149.7 |
| **TOTAL WHOLESALE** | **170.7** | **104.6** | **64.1** | **339.4** |

| *In billions of euros* | 31 December 2016 | | | |
|---|---|---|---|---|
| | EUR | USD | Others | All currencies |
| Sterilised very short-term wholesale funding | 37.9 | 35.7 | 18.5 | 92.1 |
| Short-term wholesale funding | 30.3 | 51.4 | 40.6 | 122.3 |
| Medium- to long-term wholesale funding | 94.2 | 40.8 | 7.7 | 142.7 |
| **TOTAL WHOLESALE** | **162.4** | **127.9** | **66.8** | **357.1** |

## TABLE 78: BREAKDOWN OF THE GROUP'S MEDIUM AND LONG TERM (MLT) WHOLESALE FUNDING [Audited]

| *In billions of euros* | 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Tier 1 hybrid debt | Tier 2 subordinated debt | Unsecured senior debt | | Secured MLT funding | Monetary policy funding | Total |
| | | | Non-preferred | Preferred | | | |
| Total MLT funding | 8.9 | 14.4 | 11.0 | 101.4 | 29.6 | 35.0 | 200.3 |
| MLT debt placed with clients | - | - | - | (15.6) | - | - | (15.6) |
| Monetary policy | - | - | - | - | - | (35.0) | (35.0) |
| **WHOLESALE MLT FUNDING** | **8.9** | **14.4** | **11.0** | **85.8** | **29.6** | **-** | **149.7** |

| *In billions of euros* | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Tier 1 hybrid debt | Tier 2 subordinated debt | Unsecured senior debt | | Secured MLT funding | Monetary policy funding | Total |
| | | | Non-preferred | Preferred | | | |
| Total MLT funding | 8.7 | 17.1 | - | 114.6 | 25.2 | 21.2 | 186.8 |
| MLT debt placed with clients | - | (2.5) | - | (20.4) | - | - | (22.9) |
| Monetary policy | - | - | - | - | - | (21.2) | (21.2) |
| **WHOLESALE MLT FUNDING** | **8.7** | **14.6** | **-** | **94.2** | **25.2** | **-** | **142.7** |



## TABLE 79: TRENDS IN GROUP MLT WHOLESALE FUNDING [Audited]

| *In billions of euros* | Stock at 31 December 2016 | New origination | Redemptions | Buy backs | Exercise of calls | Scope and other effects | Stock at 31 December 2017 |
|---|---|---|---|---|---|---|---|
| Total MLT funding | 186.8 | 52.1 | (32.1) | (4.6) | (8.3) | 6.4 | 200.3 |
| MLT debt placed with clients | (22.9) | (2.2) | 4.7 | 1.1 | 0.3 | 3.3 | (15.6) |
| Monetary policy | (21.2) | (13.8) | - | - | - | - | (35.0) |
| **WHOLESALE MLT FUNDING** | **142.7** | **36.1** | **(27.4)** | **(3.5)** | **(8.0)** | **9.7** | **149.7** |

Total medium- to long-term wholesale funding outstandings stood at EUR 149.7 billion at 31 December 2017 against EUR 142.7 billion at 31 December 2016. Most of this increase was due to the acquisition of the financing activities of General Motors Europe, taking into account existing wholesale funding.

Wholesale funding raised by the Group in the markets with an initial maturity of over 1 year reached EUR 36.1 billion in 2017, up from EUR 27.5 billion in 2016. This increase allowed the Group to keep wholesale funding outstandings (excluding acquisition) stable in the context of higher level of redemptions in 2017 and a rise in calls on structured debt as a result of favourable market conditions.

The amount of debt securities issued classified as MLT funding comprises debt securities measured at fair value through profit or loss (EUR 47.7 billion, excluding perpetual subordinated debt) and debt securities measured at amortised cost with an initial maturity of more than one year (EUR 89.9 billion, excluding perpetual subordinated debt), as presented in note 4.i to the consolidated financial statements.

### Wholesale funding trends based on regulatory changes

In addition to the Group's liquidity management targets, use of wholesale financing also satisfies new regulatory requirements relating to Recovery and Resolution, providing for the implementation of TLAC and MREL minimum ratios (see paragraph *Recovery and resolution* in *Capital adequacy and capital planning* section in section 5.2).

In order to comply with the TLAC ratio requirement of 20% at 1 January 2019, BNP Paribas issued EUR 11 billion of senior non-preferred debt in 2017 eligible for the TLAC ratio, in different maturities and currencies. The Group also plans to issue EUR 10 billion of senior non-preferred debt between now and 1 January 2019, subject to market conditions. The Group's objective is a TLAC ratio of 21% by 2020.

As a reminder, the main characteristics of these debt instruments are:

- issuance under EMTN and US MTN programmes;
- senior non preferred notes (pursuant to article L.613-30-3-I-4 of the French Monetary and Financial Code);
- non-structured debt[1];
- initial maturity of more than one year;
- subject to conversion or depreciation before senior preferred debt but after subordinated debt;
- documentation mandatorily stating that this debt belongs to the new statutory category.

### MLT secured wholesale funding [Audited]

MLT secured wholesale funding is measured by separating out assets representing securities and loans. Funding obtained from central banks is not included in the table below.

#### ➤ TABLE 80: MLT SECURED WHOLESALE FUNDING [Audited]

| *In billions of euros* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Collateral used(*) | Funding raised(**) | Collateral used(*) | Funding raised(**) |
| Loans and receivables | 35.6 | 28.2 | 29.6 | 23.1 |
| Securities | 1.5 | 1.3 | 3.5 | 2.1 |
| **TOTAL** | **37.1** | **29.6** | **33.1** | **25.2** |

(*) *Amounts gross of haircuts.*
(**) *Amounts net of haircuts.*

MLT secured wholesale funding (outside of monetary policy) represents 19.7% of total MLT wholesale funding (17.7% in 2016). The Bank carefully manages its proportion of secured funding and the associated overcollateralisation in order to protect creditors holding unsecured debt.

### Medium- to long-term liquidity position [Audited]

The medium-to long-term liquidity positions are measured regularly at Group level by entity and by currency to evaluate the medium-to long-term resources and uses. To this end, each balance sheet item is given a maturity in an economic approach using models and conventions offered by the ALM Treasury and reviewed by the Risk Function, or a regulatory approach by applying standardised weightings of the Net Stable Funding Ratio as anticipated for its application in Europe. For example, despite their immediate availability, the current accounts of retail customers and those linked with corporates' cash management activities have always remained highly stable, even through the most severe financial crises, thus constituting stable medium- to long-term funding sources in both an economic and a regulatory approach.

### Stress tests and liquidity reserve [Audited]

Liquidity stress tests are performed regularly on various maturities (one day to three months) based on market factors and/or factors specific to the Group and using different scenarios: idiosyncratic (i.e. specific to BNP Paribas), systemic crisis (affecting financial institutions), and combined crisis scenarios.

For each crisis scenario considered, borrowings and liabilities are expected to only partially renew, while loan amortisations are expected to be replaced by new loans to protect the commercial franchise, off-balance sheet financing commitments are expected to be used, and market assets are expected to lose their market liquidity. Commitment renewal and utilisation are differentiated in intensity and in time, based on client type (individuals, small and medium enterprises, corporates, financial institutions, etc.) and/or the type of underlying for secured borrowings and loans (repos/reverse repos). Stress scenarios also cover calls for additional collateral (e.g. increased margin calls for collateralised derivatives, impact of "rating trigger" clauses).

(1) *Characteristics to be published by executive order.*

The liquidity reserve consists of Group assets held by ALM Treasury and the capital market businesses. The liquidity reserve comprises:

- deposits with central banks;
- available assets that can be immediately sold on the market or through repurchase agreements (bonds or shares);
- available securities and receivables that can be refinanced with central banks (e.g. through securitisation, transforming less liquid assets into liquid or available assets) (See section 5.5 *Proprietary Securitisation*).

The global liquidity reserve (counterbalancing capacity) is calculated net of the payment systems' intraday needs and in keeping with prudential rules, in particular US rules, under which certain liquid assets are only recognised as available after a certain time period. Transferability restrictions are also taken into consideration in the calculation of the Group's liquidity reserve. These restrictions may stem from local regulations which limit transfers between entities of a group, non-convertible currencies or jurisdictions with foreign exchange control.

The table below shows its trends.

➤ **TABLE 81: BREAKDOWN OF GLOBAL LIQUIDITY RESERVE (COUNTERBALANCING CAPACITY)** [Audited]

| *In billions of euros* | Average 2017 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Total eligible assets | 418.8 | 384.6 | 374.9 |
| Utilisations | (84.0) | (96.6) | (67.5) |
| Transferability | (2.7) | (3.1) | (2.2) |
| **GLOBAL LIQUIDITY RESERVE** | **332.1** | **284.9** | **305.2** |
| *of which liquid assets meeting prudential regulation requirements (HQLA)* | *312.2* | *268.2* | *272.8* |
| *of which other liquid assets* | *19.9* | *16.7* | *32.4* |

The Group's liquidity reserve stood at EUR 284.9 billion at end-2017, of which EUR 68.9 billion sterilising very short-term wholesale funding.

The Group's liquidity reserve decreased by EUR 20 billion compared with end-2016. This is entirely due to the reduction in very-short term wholesale financing sterilised at central banks. This variation had no impact on the LCR (see paragraph below). Excluding sterilisation, the liquidity reserve increased by EUR 3 billion.

## Regulatory liquidity ratios

The 30-day Liquidity Coverage Ratio (LCR) came into force on 1 October 2015 setting the minimum coverage ratio for net cash outflows at 80% in 2017 and 100% on 1 January 2018. The Group measures its liquidity requirements in accordance with the requirements of the Delegated Act adopted by the European Commission in January 2015. It has adapted its management process in keeping with this regulation. The management indicators for the businesses' funding needs and the internal pricing terms therefore reflect the standardised assumptions set by the LCR and allow the Group to monitor compliance with the requirement.

The Group's LCR for the period ending 31 December 2017 stood at 121%, close to the level at 31 December 2016 of 123%.

The Group's LCR is detailed below in accordance with EBA guidelines on LCR disclosure of LCR published on 8 March 2017. Accordingly, the Group's LCR is calculated as the rolling average of the twelve latest measures at the end of the month.

## TABLE 82: SHORT-TERM LIQUIDITY RATIO (LCR)(*) – ITEMISED

| | | Unweighted value | | | | Weighted value | | | |
|---|---|---|---|---|---|---|---|---|---|
| *In billions of euros* | | 31 December 2017 | 30 September 2017 | 30 June 2017 | 31 March 2017 | 31 December 2017 | 30 September 2017 | 30 June 2017 | 31 March 2017 |
| Number of data points used in the calculation of averages | | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| | **High quality liquid assets (HQLA)** | | | | | | | | |
| **1** | **TOTAL HIGH QUALITY LIQUID ASSETS (HQLA)** | | | | | **312** | **306** | **297** | **280** |
| | **Cash outflows** | | | | | | | | |
| 2 | Retail deposits (including small businesses) | 319 | 317 | 315 | 312 | 24 | 24 | 24 | 25 |
| 3 | *of which stable deposits* | *202* | *200* | *197* | *193* | *10* | *10* | *10* | *10* |
| 4 | *of which less stable deposits* | *117* | *116* | *117* | *117* | *14* | *14* | *14* | *14* |
| 5 | Unsecured non-retail funding | 412 | 408 | 398 | 387 | 217 | 215 | 209 | 204 |
| 6 | *of which operational deposits* | *124* | *124* | *124* | *125* | *30* | *30* | *30* | *31* |
| 7 | *of which non-operational deposits* | *266* | *261* | *249* | *235* | *165* | *161* | *154* | *146* |
| 8 | *of which unsecured debt* | 22 | 23 | 25 | 27 | 22 | 23 | 25 | 27 |
| 9 | Secured non-retail funding (of which repos) | | | | | *53* | *53* | *50* | *45* |
| 10 | Additional requirements | 311 | 307 | 302 | 297 | 97 | 95 | 92 | 91 |
| 11 | *of which outflows related to derivative exposures and other collateral requirements* | 64 | 62 | 60 | 60 | 64 | 62 | 60 | 60 |
| 12 | *of which outflows on secured debt* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| 13 | *of which credit and liquidity facilities* | *246* | *244* | *241* | *237* | *33* | *32* | *32* | *31* |
| 14 | Other contractual funding obligations | *36* | *36* | *33* | *31* | *36* | *36* | *33* | *31* |
| 15 | Other contingent funding obligations | 39 | 38 | 37 | 36 | 3 | 3 | 3 | 3 |
| **16** | **TOTAL CASH OUTFLOWS** | | | | | **431** | **426** | **412** | **400** |
| | **Cash inflows** | | | | | | | | |
| 17 | Secured lending (of which reverse repos) | | | | | 43 | 45 | 46 | 45 |
| 18 | Inflows from fully performing exposures | 74 | 73 | 72 | 71 | 50 | 49 | 49 | 48 |
| 19 | Other cash inflows | 82 | 83 | 82 | 82 | 72 | 72 | 70 | 69 |
| **20** | **TOTAL CASH INFLOWS** | | | | | **165** | **166** | **164** | **163** |
| EU-20c | Inflows subject to 75% cap | | | | | 165 | 166 | 164 | 163 |
| **21** | **LIQUIDITY BUFFER** | | | | | **312** | **306** | **297** | **280** |
| **22** | **TOTAL NET CASH OUTFLOWS** | | | | | **266** | **260** | **248** | **237** |
| **23** | **LIQUIDITY COVERAGE RATIO (%)** | | | | | **117%** | **118%** | **120%** | **118%** |

(*) *The data presented in this table are calculated as the rolling average over the preceding 12 months-end values.*

The Group's LCR stood at 117% on average monthly during 2017, which is a liquidity surplus of EUR 46 billion compared with the fully-loaded regulatory requirements.

After the application of the regulatory haircuts (weighted value), the Group's liquid assets amounted to EUR 312 billion on average monthly in 2017, and mainly consisted of central bank deposits (63% of the buffer) and government and sovereign bonds (30%). Part of the securities which are eligible by central banks and provide access to liquidity are not recognised as liquid within the meaning of the European prudential regulation and are not included in the regulatory reserve. This is the main difference between the liquidity reserve (see Table 81) and the regulatory reserve. The liquid assets recognised by the prudential regulation must be immediately available to the Group.

Cash outflows under the 30-day liquidity stress scenario amounted to EUR 266 billion on average during 2017, a large part of which corresponds to 30-day deposit outflow assumptions of EUR 241 billion. Reciprocally, cash inflows on loans under the 30-day liquidity regulatory stress scenario amounted to EUR 43 billion.

Cash flows on financing transactions and collateralised loans representing repurchase agreements and securities exchanges, recorded a net outflow of EUR 10 billion on average in 2017, given the regulatory haircuts applied to collateral. Flows linked to derivative instruments and regulatory stress tests recorded a net outflow of EUR 7 billion after netting of cash outflows (EUR 64 billion) and inflows (EUR 57 billion). Lastly, the drawdown assumptions on financing commitments amounted to EUR 33 billion.

On a moving average over the last 12 monthly measurements, the Group's LCR has remained stable at between 117% and 120%. Stocks of liquid assets are managed to cover variations in net cash outflows while maintaining surplus liquidity at all times. This stood at between EUR 43 and 49 billion over the fully-loaded coverage ratio for net cash outflows. Levels of liquid assets varied symmetrically in line with cash outflows on non-operating deposits. This phenomenon reflects the variation in very short-term wholesale funding which is immediately placed in very liquid assets according to the sterilisation principle explained in the paragraph Sources of Wholesale Financing, to immunise the LCR from the volatility intrinsic to this type of funding.

The Group's regulatory intelligence includes monitoring of all anticipated developments with respect to liquidity and long-term funding, and, specifically, participation in discussions with the regulators, in particular work to review the corpus of « CRD IV » texts initiated by the European Commission, providing for the introduction of a one-year structural liquidity ratio (*Net Stable Funding Ratio – NSFR*).

## SCHEDULE OF CONTRACTUAL MATURITIES IN THE BANK'S PRUDENTIAL BALANCE SHEET [Audited]

This schedule presents cash flows according to contractual payment dates within the prudential scope (in line with the rules defined for the liquidity ratio).

In the event of an early repayment option, the rules applied are the most conservative:

- if the option is at the hands of both parties, the repayment date is the next contractual date for the exercise of the option;
- if the option is at the hands of the counterparty, the date for the repayment of assets is the date of final maturity while that used for liabilities is the next contractual date for the exercise of the option;
- if the option is at the hands of the Group, the repayment date is the next contractual date for the exercise of the option, for both assets and liabilities.

The securities in the trading book listed at fair value through profit or loss are presented with "not determined" maturities, as the securities' contractual maturity is not representative of the Group's planned holding period. Likewise, derivative financial instruments listed at fair value through profit or loss, derivatives used for hedging purposes and remeasurement adjustments on interest-rate risk hedged portfolios are presented with "not determined" maturities.

## TABLE 83: CONTRACTUAL MATURITIES OF THE PRUDENTIAL BALANCE SHEET [Audited]

| *In millions of euros* | 31 December 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Not determined | Overnight or demand | Up to 1 month (excl. Overnight) | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total |
| Cash and amounts due from central banks | | 178,575 | | | | | | 178,575 |
| Financial instruments at fair value through profit and loss | | | | | | | | |
| Trading securities | 119,453 | | | | | | | 119,453 |
| Loans and repurchase agreements | | 26,573 | 63,461 | 33,883 | 20,357 | 3,248 | 604 | 148,127 |
| Instruments designated as at fair value through profit and loss | - | - | - | 111 | - | - | 582 | 693 |
| Derivative financial instruments | 229,891 | | | | | | | 229,891 |
| Derivatives used for hedging purposes | 13,719 | | | | | | | 13,719 |
| Available-for-sale financial assets | | 303 | 3,556 | 4,642 | 8,858 | 40,921 | 65,317 | 123,597 |
| Loans and receivables due from credit institutions | | 6,948 | 4,414 | 3,208 | 3,429 | 3,171 | 19,847 | 41,017 |
| Loans and receivables due from customers | | 26,572 | 57,692 | 59,222 | 99,372 | 270,761 | 222,022 | 735,641 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 3,064 | | | | | | | 3,064 |
| Held-to-maturity financial assets | | | - | - | - | 456 | 104 | 561 |
| **Financial assets** | **366,126** | **238,970** | **129,124** | **101,067** | **132,015** | **318,558** | **308,477** | **1,594,338** |
| Other non-financial assets | - | 9,324 | 75,237 | 7,778 | 6,528 | 17,916 | 39,231 | 156,013 |
| **TOTAL ASSETS** | **366,126** | **248,294** | **204,361** | **108,845** | **138,543** | **336,474** | **347,708** | **1,750,351** |
| Due to central banks | | 1,471 | | | | | | 1,471 |
| Financial instruments at fair value through profit and loss | | | | | | | | - |
| Trading securities | 69,313 | | | | | | | 69,313 |
| Borrowings and repurchase agreements | | 11,370 | 116,866 | 31,424 | 10,829 | 1,224 | 434 | 172,147 |
| Instruments designated as at fair value through profit and loss | | 42 | 1,540 | 2,040 | 8,527 | 25,412 | 14,928 | 52,488 |
| Derivative financial instruments | 227,643 | | | | | | | 227,642 |
| Derivatives used for hedging purposes | 15,663 | | | | | | | 15,663 |
| Due to credit institutions | | 10,162 | 12,992 | 7,887 | 4,312 | 36,141 | 1,166 | 72,661 |
| Due to customers | | 600,818 | 68,693 | 49,356 | 31,884 | 9,958 | 5,835 | 766,544 |
| Debt securities and subordinated debt | | 218 | 15,157 | 30,672 | 41,189 | 39,945 | 39,128 | 166,308 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 2,373 | | | | | | | 2,373 |
| **Financial liabilities** | **314,991** | **624,081** | **215,248** | **121,379** | **96,740** | **112,680** | **61,491** | **1,546,610** |
| Other non-financial liabilities | | 10,150 | 57,907 | 6,947 | 3,646 | 11,906 | 113,183 | 203,741 |
| **TOTAL LIABILITIES AND EQUITY** | **314,991** | **634,231** | **273,156** | **128,326** | **100,387** | **124,586** | **174,674** | **1,750,351** |

| *In millions of euros* | 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Not determined | Overnight or demand | Up to 1 month (excl. Overnight) | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total |
| Cash and amounts due from central banks | | 160,645 | | | | | | 160,645 |
| Financial instruments at fair value through profit and loss | | | | | | | | |
| Trading securities | 123,678 | | | | | | | 123,678 |
| Loans and repurchase agreements | | 37,986 | 71,316 | 27,070 | 13,665 | 7,362 | 189 | 157,588 |
| Instruments designated as at fair value through profit and loss | - | - | 51 | 41 | 206 | 71 | 1,044 | 1,413 |
| Derivative financial instruments | 327,884 | | | | | | | 327,884 |
| Derivatives used for hedging purposes | 18,083 | | | | | | | 18,083 |
| Available-for-sale financial assets | | 187 | 5,564 | 4,759 | 15,435 | 55,163 | 76,577 | 157,685 |
| Loans and receivables due from credit institutions | | 5,455 | 7,713 | 4,170 | 2,978 | 1,777 | 20,808 | 42,901 |
| Loans and receivables due from customers | | 20,339 | 61,808 | 54,055 | 92,420 | 269,338 | 220,440 | 718,400 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,664 | | | | | | | 4,664 |
| Held-to-maturity financial assets | | | - | - | 112 | 350 | 93 | 555 |
| **Financial assets** | **474,310** | **224,612** | **146,452** | **90,095** | **124,817** | **334,061** | **319,152** | **1,713,499** |
| Other non-financial assets | - | 15,308 | 16,613 | 22,003 | 6,699 | 62,753 | 41,212 | 164,588 |
| **TOTAL ASSETS** | **474,310** | **239,920** | **163,065** | **112,099** | **131,516** | **396,813** | **360,364** | **1,878,087** |
| Due to central banks | | 233 | | | | | | 233 |
| Financial instruments at fair value through profit and loss | | | | | | | | |
| Trading securities | 70,303 | | | | | | | 70,303 |
| Borrowings and repurchase agreements | | 11,680 | 117,248 | 35,751 | 10,836 | 7,118 | 574 | 183,207 |
| Instruments designated as at fair value through profit and loss | | 3 | 1,174 | 2,164 | 9,567 | 26,953 | 13,569 | 53,430 |
| Derivative financial instruments | 318,389 | | | | | | | 318,389 |
| Derivatives used for hedging purposes | 19,615 | | | | | | | 19,615 |
| Due to credit institutions | | 13,880 | 16,383 | 9,449 | 6,155 | 25,694 | 1,220 | 72,781 |
| Due to customers | | 576,234 | 73,105 | 54,015 | 39,607 | 16,314 | 5,906 | 765,181 |
| Debt securities and subordinated debt | | 21 | 21,623 | 37,307 | 42,300 | 35,545 | 37,140 | 173,936 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,202 | | | | | | | 4,202 |
| **Financial liabilities** | **412,509** | **602,051** | **229,533** | **138,685** | **108,465** | **111,624** | **58,409** | **1,661,276** |
| Other non-financial liabilities | | 9,720 | 18,433 | 19,622 | 4,050 | 54,196 | 110,790 | 216,811 |
| **TOTAL LIABILITIES AND EQUITY** | **412,509** | **611,771** | **247,966** | **158,307** | **112,515** | **165,820** | **169,199** | **1,878,087** |

For the management of liquidity risk, the above schedule is supplemented with economic analyses taking into consideration customer behaviour and the market liquidity of certain assets (such as securities), under normal conditions and stress situations.

To this effect, the Group uses a set of tools to anticipate and manage its financial liquidity, in particular as previously indicated:

- medium/long-term liquidity status;
- stress tests and liquidity reserve;
- monitoring compliance with regulatory liquidity ratios.

## ENCUMBRANCE OF GROUP ASSETS AND ASSETS RECEIVED BY THE GROUP

Assets on the balance sheet and assets received in guarantee used as pledges, guarantees or enhancement of a Group transaction and which cannot be freely withdrawn are considered to be encumbered. The following are the main transactions with asset encumbrance:

- repos and securities exchange operations;
- guarantees given to CCPs;
- guarantees given to central banks as part of monetary policy;
- assets in portfolios hedging the issue of guaranteed bonds.

Encumbered securities are given as collateral in repurchase agreements, derivatives instruments or securities exchanges. The other assets correspond to the following: firstly, loans under monetary policy constraints or provided as collateral for structured debt; secondly, cash given as collateral against derivatives.

Encumbered and unencumbered assets are shown in the following table according to the formats of the Delegated Regulation (EU) 2017/2295. Thus, all data shown in the table are calculated as the median of the four quarter ends of the year. Each total line is then calculated as the median of the total at the four quarters of the year, not as the sum of the median values for the year.

Therefore, the median ratio of encumbered assets relative to balance sheet assets was 13% as at 31 December 2017.

### TABLE 84: ENCUMBERED AND UNENCUMBERED ASSETS

*Assets*

| | | Quarterly median values in 2017 | | | |
|---|---|---|---|---|---|
| *In billions of euros* | | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
| **010** | **ASSETS** | **255** | | **1,670** | |
| 030 | Equity instruments | 25 | | 38 | |
| 040 | Debt securities | 72 | 72 | 151 | 151 |
| *050* | *of which covered bonds* | *1* | *1* | *2* | *2* |
| *060* | *of which asset-backed securities* | *1* | *1* | *4* | *4* |
| *070* | *of which issued by general governments* | *53* | *53* | *115* | *115* |
| *080* | *of which issued by financial corporations* | *14* | *14* | *17* | *17* |
| *090* | *of which issued by non-financial corporations* | *4* | *4* | *14* | *14* |
| 120 | Other assets | 143 | | 1,481 | |

### Collateral received

| In billions of euros | | Quarterly median values in 2017 | |
|---|---|---|---|
| | | Fair value of encumbered collateral received or encumbered own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance |
| **130** | **COLLATERAL RECEIVED** | **330** | **27** |
| 140 | Loans on demand | - | - |
| 150 | Equity instruments | 53 | 1 |
| 160 | Debt securities | 277 | 25 |
| *170* | *of which covered bonds* | *1* | *1* |
| *180* | *of which asset-backed securities* | *4* | *2* |
| *190* | *of which issued by general governments* | *252* | *15* |
| *200* | *of which issued by financial corporations* | *16* | *6* |
| *210* | *of which issued by non-financial corporations* | *9* | *1* |
| 220 | Loans and advances other than loans on demand | - | - |
| 230 | Other collateral received | - | - |
| **241** | **OWN COVERED BONDS AND ASSET-BACKED SECURITIES ISSUED AND NOT YET PLEDGED** | | **34** |
| **250** | **TOTAL ASSETS AND COLLATERAL RECEIVED** | **591** | |

### Encumbered assets/collateral received and associated liabilities

| In billions of euros | | Quarterly median values in 2017 | |
|---|---|---|---|
| | | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and encumbered |
| **010** | **CARRYING AMOUNT OF SELECTED FINANCIAL LIABILITIES** | **524** | **591** |

# 5.9 Operational risk

Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Management of operational risk is based on an analysis of the "cause – event – effect" chain.

Internal processes giving rise to operational risk may involve employees and/or IT systems. External events include, but are not limited to floods, fire, earthquakes and terrorist attacks. Credit or market events such as default or fluctuations in value do not fall within the scope of operational risk.

Operational risk encompasses fraud, human resources risks, legal risks, non-compliance risks, tax risks, information system risks, conduct risks (risks related to the provision of inappropriate financial services), risk related to failures in operating processes, including loan procedures or model risks, as well as any potential financial implications resulting from the management of reputation risk.

## REGULATORY FRAMEWORK

Operational and compliance risks come under a specific regulatory framework:

- Directive 36/2013/UE (CRD 4) and Regulation (EU) No. 575/2013 (CRR) governing prudential supervision and the methods for calculating the amount of capital requirements to cover the operational risk;
- French Ministry of Finance Decree of 3 November 2014, which defines the roles and responsibilities of the Risk Function (covering all types of risks) and an internal control system which ensures the efficiency and quality of the Bank's internal operations, the reliability of internal and external information, the security of transactions, as well as compliance with applicable laws, regulations and internal policies.

Banking regulation divides operational loss events into seven categories: (i) internal fraud, (ii) external fraud, (iii) employment practices and workplace safety (such as an anomaly arising from recruitment management), (iv) clients, products and business practices (such as product defects, mis-selling, professional misconduct, etc.), (v) damage to physical assets, (vi) business disruption and system failures, (vii) execution, delivery and process management (data entry error, error in documentation, etc.).

Effective management of compliance risk aims to ensure compliance with applicable laws, regulations, rules of ethics and instructions, protect the Group's reputation, that of its investors and that of its customers, ensure ethical professional behaviour, prevent conflicts of interest, protect customers' interests and market integrity, fight against money laundering, bribery and the financing of terrorist activities, as well as ensure compliance with financial embargos.

## ORGANISATION AND OVERSIGHT MECHANISM [Audited]

### KEY PLAYERS AND GOVERNANCE

The general internal control system at BNP Paribas underpins management of operational, compliance and reputation risks as part of its dual-level system to ensure periodic and permanent control.

In 2015, the Group completed vertical integration of its Compliance and Legal Functions to guarantee their independence and resource autonomy. Compliance, Legal, Risk and General Inspection form the Group's four supervision and control functions, with direct reporting of all their teams worldwide.

The governance of the Group's internal control system is described in the section *Internal control* in chapter 2 *Internal Control and Corporate Governance*.

A second-level control function is tasked with defining and supervising the operational risk management system. In 2016 the Risk Function introduced a major project in order to identify the main changes required to the operational risk management system in the Group, to improve and optimise it by clarifying the responsibilities between the first and second lines of defence in the Group as well as the coordination between the various control functions. Accordingly, the Operational Risk and Control (ORC) teams are now the second line of defence within Risk. In addition, a dedicated team (Risk ORC Information and Communication Technology), reporting to the Head of Risk, is now in charge of the second line of defence on technology risks and data protection (cyber security).

This new model is now being finalised in all businesses and operational entities.

Consequently, the operational risk management and control system for the Group as a whole is structured around a two-level system with the following participants:

- on the first level of defence: operational staff, notably the Heads of operational entities, business lines and functions, who are on the front-line of risk management and implementation of systems to manage these risks;
- on the second line of defence: specialist deconcentrated teams (domains, divisions, operational entities, business lines, functions and regions) coordinated centrally by the ORC Group team involved in managing the Group's risks.

These teams are, in particular, responsible for:

- coordinating, throughout the areas within their remit, the definition and implementation of the permanent control and operational risk identification and management system, its standards and methodologies, reporting and related tools;
- acting as a second pair of eyes, independently of the Heads of operational entities, to scrutinise operational risk factors and the functioning of the operational risk and permanent control system, and issuing warnings, where appropriate.

More than five hundred employees on a full-time equivalent basis are responsible for these supervisory activities.

Issues relating to operational risk, permanent operational control and the emergency plan to ensure business continuity in those situations specified in the regulatory standards are regularly submitted to the Group's Executive Committee. The Group's operational entities and subsidiaries implement this governance structure within their organisations, with the participation of Executive Management.

For its part, Compliance is in charge of supervising the compliance and reputation risk control system (see section 5.3).

## OBJECTIVES AND PRINCIPLES

To meet this dual requirement of the management and control of operational risk, BNP Paribas has developed a permanent iterative risk management process based on the following elements:

- identifying and assessing operational risks;
- formalisation, implementing and monitoring the risk mitigation system, including procedures, checks and all organisational elements designed to help to control risk, such as segregation of tasks, management of access rights, etc.;
- producing measures of known and potential risks and calculating the capital requirement for operational risk;
- reporting and analysing oversight information relating to operational risk and the permanent control system;
- managing the system through a governance framework that involves members of management, preparing and monitoring action plans.

This system rests on two major pillars:

- the identification and assessment of risk and of the control system based on the libraries of risks and controls defined by the Group's business lines and functions, and which each entity must take into consideration and enhance, if necessary, for their own underlying and residual risk mapping and for the standardised impact assessment grid applicable across the Group;
- the risk management system is underpinned by procedures, standards and generic control plans consistent with the above-mentioned risk libraries, and which each entity must apply, unless an exception is authorised, and enhance according to their own characteristics.

## SCOPE AND NATURE OF RISK REPORTING AND MEASUREMENT

Group Executive Committees, and those of operational entities (business lines, functions and subsidiaries) are tasked with monitoring the management of operational and non-compliance risk and permanent control in the areas falling within their remit, in accordance with the Group's operational risk framework. The committees validate the quality and consistency of reporting data, examine their risk profile in light of the tolerance levels they have set in keeping with the Group risk appetite statement, and assess the quality of risk control procedures according to their objectives and the risks they incur. They monitor the implementation of risk mitigation techniques.

Operational risk management has developed a system of data collection of actual or potential incidents using an approach structured by organisational process and business unit (activities in a country and a single legal entity) focusing on the cause-and-effect chain behind events. This information is used as the basis for risk mitigation and prevention measures.

The most significant information is brought to the attention of staff at various levels of the organisation, up to and including executive managers and supervisory bodies, in line with a predefined information reporting process.

## SPECIFIC COMPONENTS LINKED TO OPERATIONAL RISK [Audited]

By its nature, operational risk covers numerous areas related with the Group's usual business activity and is linked to specific risks such as compliance, reputation, legal, fiscal and cyber security risks which are monitored in specific ways.

### COMPLIANCE AND REPUTATION RISK

Compliance risk is defined in French regulations as the risk of legal, administrative or disciplinary sanctions, of significant financial loss or reputational damage that a bank may suffer as a result of failure to comply with national or European laws and regulations, codes of conduct and standards of good practice applicable to banking and financial activities, or instructions given by an executive body, particularly in application of guidelines issued by a supervisory body.

By definition, this risk is a sub-category of operational risk. However, as certain implications of compliance risk involve more than a purely financial loss and may actually damage the institution's reputation, the Bank treats compliance risk separately.

Reputation risk is the risk of damaging the trust placed in a corporation by its customers, counterparties, suppliers, employees, shareholders, supervisors and any other stakeholder whose trust is an essential condition for the corporation to carry out its day-to-day operations.

Reputation risk is primarily contingent on all the other risks borne by the Bank, specifically the potential materialisation of a credit or market risk, or an operational risk, as well as a violation of the Group's code of conduct.

In accordance with international standards and French regulations, Compliance manages the system for monitoring compliance and reputation risks for all of the Group's businesses in France and abroad. Compliance reports to the Chief Executive Officer and has direct, independent access to the Board's Internal Control, Risk and Compliance Committee.

Integrated globally, Compliance brings together all Group employees reporting to the function. Compliance is organised based on its guiding principles (independence; integration and decentralisation of the function; dialogue with the business lines; accountability of each of the Group's stakeholders; a culture of excellence) through three operating areas, three regions, six fields of expertise and five cross-functional activities.

All Compliance Officers in the various operational areas, regions, business lines and territories, fields of expertise and Group functions report directly to the Compliance Function.

This management of compliance and reputation risks is based on a system of permanent controls built on four components:

- general and specific procedures;
- coordination of action taken within the Group to guarantee the consistency and effectiveness of monitoring systems and tools;
- deployment of tools for detecting and preventing money laundering, terrorist financing and corruption, detecting market abuses, etc.;
- training, both at Group level and in the divisions and business lines.

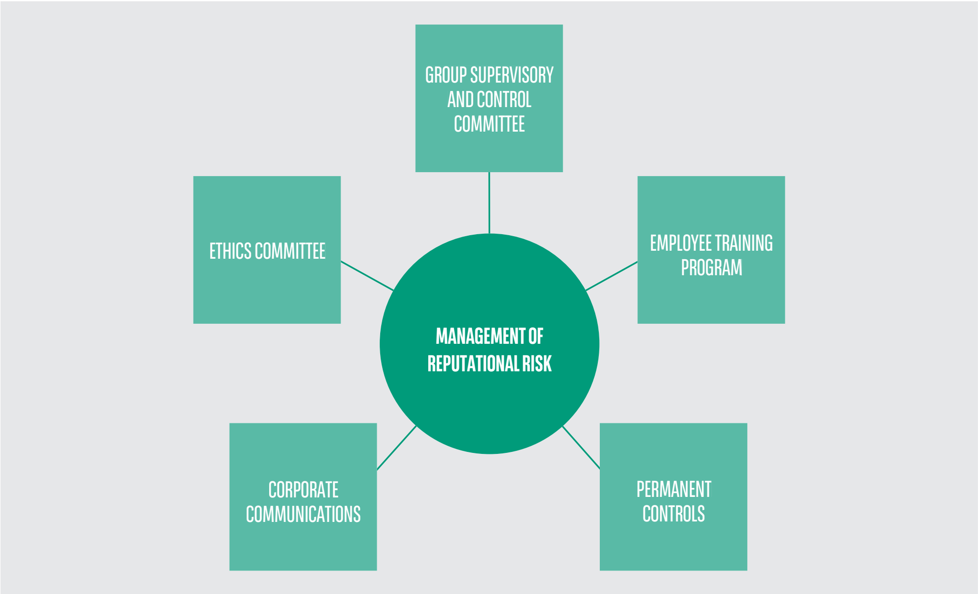
During 2017, the Group continued implementing this system, through the following initiatives:

- expansion of resources allocated to Compliance with:
  - the continued ramp-up of the "Group Financial Security" Department,
  - increased human and financial resources,
  - roll out of new control tools (e.g. a transaction filtering software) and enhancement of the "Know Your Customer" procedures;
- continued implementation of the remediation plan as part of the comprehensive settlement with the US authorities;
- increase in the number and scope of the training programmes for Group employees.

(See chapter 2 *Corporate governance and internal control, Internal Control.*)

More specifically, reputation risk control is based on the following items:

### FIGURE 13: REPUTATION RISK MANAGEMENT FRAMEWORK




- the Group Supervisory and Control Committee is chaired by the Chief Executive Officer. Its other members are the Chief Operating Officer and the heads of the Compliance, Risk, Legal and General Inspection Functions. The Deputy Chief Operating Officers have standing invitations to attend. Its mission is to define rules of principle and policies, to contribute to the organisation of the control functions and the consistency between them and to ensure their overall consistency vis-à-vis the operating entities of the Group;
- the Ethics Committee is chaired by Jean-Marie Guéhenno, Chairman of the International Crisis Group. It is made up in equivalent proportion of members of the Group Executive Committee as well as independent outside individuals. The role of the Ethics Committee is to help formulate recommendations for the Group's code of conduct and business conducted in certain sensitive countries or business sectors;
- the employee training programme: the Group's employees have an essential role in managing the reputation risk. This awareness training includes identifying, controlling, and managing the reputation risk, the Group's Values, and its ethics standards;
- Corporate Communications: one of the major missions of Corporate Communication is to protect the reputation of the Group and its Entities, as well as being a source of information for employees and the public, whose trust is essential for the Group;
- permanent control: identifying and managing the reputation risk are one of the objectives of the permanent control system. Procedures and controls are closely monitored wherever the risk is highest. Whistleblowing procedures and periodic control recommendations are also taken into consideration. The reputation risk is also taken into account in the process for validating standard or non-standard transactions, new businesses, and new products. The Group has procedures for conflicts of interest; market integrity; adequacy and appropriateness of offers to clients; best execution of their orders; anti-money laundering, terrorist financing and corruption; compliance with international sanctions and embargoes; and social and environmental responsibility that, along with the code of conduct, are conducive to effective management of reputation risk.

## LEGAL RISK

BNP Paribas is bound by specific local regulations applicable to the business sectors in which different Group entities operate, as in banking, insurance or financial services.

The Legal Function ("Legal") is organised as follows:

- a governance model based on:
  - the Executive Board, a bi-monthly Committee that provides a strategic orientation for Legal;
  - the Global Legal Executive Committee, a bi-monthly Committee that ensures the implementation of strategic orientations for Legal;
  - the Global Legal Risk Committee (a subcommittee of the Global Legal Executive Committee), which ensures that an appropriate system for risk management is in place in Legal;
- a legal coordination mechanism allowing the sharing of information and expertise, whose main components are:
  - the France and Europe Legislation Tracking Committees, which organise the monitoring of draft legislation and provide analysis and interpretation of the texts of new laws and regulations, as well as details of changes in French and European law,
  - Legal Practices, specialised teams by area of legal expertise tasked with managing issues relative to the Group's businesses and geographies within Legal, and with escalating major legal risks that fall within their scope;
- an oversight of legal risks via a number of actions:
  - management of a harmonised and robust system to manage global legal risks to provide overall supervision and proactive management of major legal risks, including namely defining a suitable system for *ex post facto* control by: (i) defining legal risk control plans, (ii) permanent control activities across all legal areas,
  - management of disputes, litigation and legal investigations,
  - provision of advice on the legal aspects of financial security,

- constituting and managing panels of legal experts, i.e. selecting legal firms with which the Group works,
- management and supervision of human resources litigation and disputes in France,
- defining and ensuring the consistency of the Group's legal policy.

To this end, the Group General Counsel, Head of Legal, can count on a community of lawyers and paralegals working in approximately sixty countries.

In a difficult economic environment marked by heavier regulatory requirements, as well as a multiplication in litigation, Legal must be able to take a global view and optimise its ability to become involved and take action.

This function is fully integrated. The Legal Charter became effective in September 2016.

The principles of this reform programme are:

- independence and integration:
  - full integration of the function,
  - creation of the reporting link between the legal teams in the divisions and business lines and the Group General Counsel or deputy Counsel,
  - a greater role for the Group General Counsel in overseeing highly sensitive cases,
  - unified and centralised budget management ensuring autonomous and consistent management of Legal;
- decentralisation:
  - maintaining very close links with business lines to guarantee the function stays close to the Bank and to its customers,
  - switch to a functional link between the legal teams in the divisions and business lines and the Head of the Business Line;
- cross-functionality:
  - change from centralised teams of experts to a more comprehensive and cross-functional role,
  - creation or the transformation of activities into Legal Practices (Group Dispute Resolution, Company law, Mergers and Acquisitions, Information technology and intellectual property, Legal and regulatory intelligence, and Competition law);
- responsibility:

  Lawyers are responsible for managing legal risks in the Group:
  - there is a comprehensive and unified legal organisation at all levels of the Group to provide adequate cover of legal risks,
  - each lawyer is responsible for ensuring that all major risks encountered are escalated within the Legal Function,
  - moreover, since 2014, the Practice Group Dispute Resolution has been established and structured to handle litigation, legal matters in the preliminary stages as well as large-scale investigations. The purpose of this reform is to enable the Legal Function to oversee sensitive legal matters on a global scale, to become more pro-active and provide a cohesive and consistent response.

## TAX RISK

In each country where it operates, BNP Paribas is bound by specific local tax regulations applicable to companies engaged for example in banking, insurance or financial services.

The Tax Function ensures at a global level that the tax risk is managed throughout all of the transactions conducted by the Group. In view of the financial and reputational stakes, Finance and Compliance are involved in the tax risk monitoring process.

The Group Tax Department carries out the tax function and calls on the assistance of tax managers in certain businesses and in the main geographical areas where the Group operates (as well as tax correspondents in other geographical areas where the Group operates).

In ensuring the coherence of the Group's tax practices and the global tax risk monitoring, the Group Tax Department:

- has drawn up procedures covering all divisions, designed to ensure that tax risks are identified, addressed and controlled appropriately;
- has implemented a process of feedback aimed at contributing to the control of local tax risk;
- reports to Executive Management on tax risk developments;
- oversees the tax-related operational risks and the internal audit recommendations falling within the Tax Function's scope of responsibility.

A Tax Coordination Committee, involving Finance and Compliance and, on an as-needed basis, the businesses, is tasked with analysing the main tax issues with respect to the transactions the Group performs.

## CYBER SECURITY AND TECHNOLOGY

The use and protection of data and technologies are determining factors for the Bank's activity and its transformation process.

While the Bank continues the roll-out of *Digital Banking* (for the Group's customers and partners) and *Digital Working* (for the Group's employees), it must incorporate new technology and innovative risk management practices, and establish new working methods. This introduces new technology risks in the cyber security arena.

Technology management and information systems security is part of the Group's cyber security strategy. This strategy is focused on the preservation of the most sensitive data, regularly adapting both its internal processes and procedures, and its employee training and awareness to contend with increasingly sophisticated and varied threats.

To best protect its technology and data, the group has adopted a comprehensive approach in cyber security management:

- as a first line of defence, within all of the entities, the Group has launched a transformation programme based on the international NIST (*National Institute of Standards and Technology*) framework. This programme, begun in 2015, is regularly updated, taking into account the new threats and recent incidents identified around the world;
- as a second line of defence, the Group has set up a team in the Risk Function that is dedicated to managing cyber security and technology risk (Risk ORC ICT), reporting to the Chief Cyber and Technology Risk Officer, with the mission of:
  - presenting the Group's cyber security and technology risk position to the Group Executive Committee, the Board of Directors, and the supervisory authorities,
  - monitoring the transformation programme across the entire Group,
  - integrating the cyber security and technology risk aspects into all major projects within the Group,
  - performing independent assessment campaigns particularly within the Group's external partners,
  - monitoring existing risks and identifying new threats likely to have a negative impact on the Group's business (data corruption, destabilisation of financial market infrastructures, etc.).

The applicable risk model has also been revised to respond to the new technology and cyber security risks. These latter include:

- availability and continuity risks:

  The availability of data and information systems is vital for the bank's business continuity in a crisis or emergency. The Group regularly manages, improves, and checks the crisis management and recovery plan, by testing its capacities to back up data, and the robustness of its information systems, using stress scenarios;
- security risks:

  Information systems security risks are constantly on the rise. They come from both the bank's external environment (hackers, systems managed on a network external to the Bank, or by a third party, etc.) and its internal environment (malicious act, lack of awareness, etc.). The Group assesses the threats and corrects the risks it detects;
- change-related risks:

  The Group's information systems are changing rapidly due to the transformation process engendering new risks associated with such changes. These risks, identified during the systems' design or modification phases, are regularly assessed to ensure that the proposed solutions are consistent with the needs of the Group's business lines;
- data integrity risks:

  Confidentiality of customer data and transaction integrity are also areas covered by the Bank's continuous quality approach, not only to counter the threats described earlier but also to provide the Group's customers with a service that meets their expectations. The Group has also launched internal projects to comply with the European Directive No. 2016/679 of 27 April 2016, the (GDPR - General Data Protection Regulation) in 2018;
- third-party information systems risks:

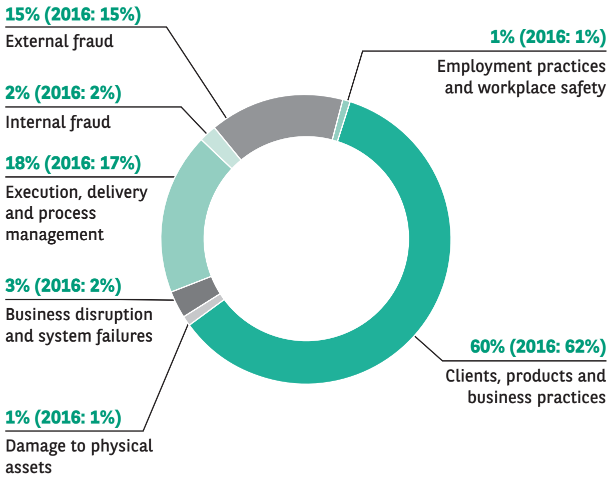
  With certain activities outsourced, the Bank may interact with information systems other than its own. However, it remains liable to its clients and regulators for the technology and cyber security risks inherent in these third-party systems. The Group's two lines of defence manage these risks at every step of third-party information system integration until the end of the relationship.

Thus the Group meets the requirements of the laws, regulations, and standards in force.

## OPERATIONAL RISK EXPOSURE

The chart below shows the losses linked to operational risk, according to the event classification defined in the current regulation.

### FIGURE 14: OPERATIONAL LOSSES – BREAKDOWN BY EVENT TYPE (AVERAGE 2009-2017)(*)




*(*) Percentages in brackets correspond to average loss by type of event for the 2009-2016 period.*

In the period 2009-2017, the main type of operational risk falls within the category of "Clients, products and business practices", representing on average more than half of the Group's financial impacts. The magnitude of this category is related to the financial terms of the comprehensive settlement concluded in June 2014 with the US authorities with respect to the review of certain US dollar transactions. Process failures, mainly including execution or transaction processing errors, and external fraud are the types of Group incidents with the second and third highest financial impact, respectively.

BNP Paribas Group pays the utmost attention to analysing its operational risk incidents in order to continuously improve its control system.

## CAPITAL REQUIREMENT CALCULATION

The amount of risk-weighted assets is calculated by multiplying the capital requirement by 12.5.

### APPROACHES ADOPTED

BNP Paribas uses a hybrid approach combining the Advanced Measurement Approach (AMA), standardised approach, and basic indicator approach.

In terms of net banking income, most entities within the Group's prudential scope of consolidation use the Advanced Measurement Approach (AMA). This includes most Retail Banking activities in the domestic networks and Private Banking, as well as Corporate and Institutional Banking.

#### Advanced Measurement Approach (AMA)

Under the Advanced Measurement Approach (AMA) for calculating capital requirements, the Bank uses an internal operational risk model based on the four components required by the regulations, namely:

- internal historical data;
- external loss data;
- environmental and internal control factors;
- analysis of forward-looking scenarios, known as potential incidents in the BNP Paribas Group.

BNP Paribas' internal model in place since 2008 includes the following features:

- an aggregate annual loss distribution, meaning that the frequency and severity of losses from operational risks are modelled using an actuarial approach and according to distributions calibrated with available data;
- it uses historical data as well as prospective scenarios to calculate capital requirements, with a predominance for scenarios because they can be shaped to reflect severe and less frequent operational risks;
- the model is faithful to its input data, so that its results can be used easily by each of the Group's business lines. Most of the assumptions are therefore included in the data themselves;
- it is prudent in its capital requirement calculations: the input data are thoroughly reviewed, and any supplemental data are added if needed to cover all relevant operational risks within the Group.

Regulatory AMA capital requirements are calculated as VaR (Value at Risk), or the maximum potential loss over one year, at a 99.9% confidence level to calculate regulatory capital requirements. Capital requirements are calculated on an aggregate level using data from all Group entities in the AMA perimeter, then allocated to business lines and individual legal entities.

### Fixed-parameter approaches

BNP Paribas uses fixed-parameter approaches (basic or standard) to calculate the capital requirements for entities in the Group's prudential scope that are not covered by the internal model:

- basic indicator approach: the capital requirement is calculated by multiplying the entity's average net banking income (the exposure indicator) over the past three years by an alpha parameter set by the regulator (15% risk weight);
- standardised approach: the capital requirement is calculated by multiplying the entity's average net banking income over the past three years by a factor set by the regulator according to the entity's business category. For the purposes of this calculation, all the Group's business lines are broken down into the eight regulatory business categories.

## RISK WEIGHTED ASSETS AND CAPITAL REQUIREMENT

### ➤ TABLE 85: OPERATIONAL RISK CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

| | 31 December 2017 | | 31 December 2016 | | Variation | |
|---|---|---|---|---|---|---|
| *In millions of euros* | RWAs | Capital requirements | RWAs | Capital requirements | RWAs | Capital requirements |
| Advanced Measurement Approach (AMA) | 49,961 | 3,997 | 47,902 | 3,832 | 2,059 | 165 |
| Standardised approach | 11,214 | 897 | 9,581 | 766 | 1,633 | 131 |
| Basic indicator approach | 5,340 | 427 | 6,044 | 484 | (704) | (57) |
| **TOTAL OPERATIONAL RISK** | **66,515** | **5,321** | **63,527** | **5,082** | **2,988** | **239** |

The EUR 3 billion increase in risk-weighted assets is primarily due to:

- the change in potential incidents in the AMA scope;
- the overall increase in 3-year average of net banking income for entities using fixed-parameter approaches (basic and standard approaches), as well as the addition of entities to the prudential scope of consolidation.

## RISK MITIGATION TECHNIQUES AND INSURANCE POLICIES

BNP Paribas Group deals with its insurable risks with the triple aim of protecting its balance sheet, its profit and loss account and its staff. Its insurance set-up is based on risk identification and assessment, underpinned by risk mapping and by analysis of operational loss profile, both historical and forward-looking.

The Group purchases insurance from leaders of the insurance market, covering computer crime, fraud, theft, business disruption, liability and other risks for which it may be held responsible. In order to optimise costs whilst effectively managing its exposure, the Group retains some well identified risks whose impact in terms of frequency and cost is known or can be adequately estimated.

In selecting insurers, the Group pays close attention to the credit rating and claims paying ability of the companies concerned. Detailed information on risks incurred by BNP Paribas as well as risk assessment visits, enable insurers to assess the quality risk prevention within the Group, as well as the safeguard measures put in place and upgraded on a regular basis in light of new standards and regulations.

# 5.10 Insurance risks

## BNP PARIBAS CARDIF GROUP RISK MANAGEMENT SYSTEM

Risk management is a process that allows to identify, measure, monitor, manage, and report both the risks arising from the external environment as well as intrinsic risks inherent to the BNP Paribas Cardif group. The objective is to guarantee the solvency, business continuity, and development of the BNP Paribas Cardif group, under satisfactory conditions of risk and profitability.

Within the framework of the provisions of article L.354-2 of the French Insurance Code, the BNP Paribas Cardif group conducts a forward looking assessment of its solvency and risks every year under the Solvency II framework, in particular:

- the definition and evaluation of a capital requirement specific to the risk profile;
- the level of capital that the BNP Paribas Cardif group wishes to hold to cover this specific requirement, in excess of the regulatory capital requirement;
- the forward-looking solvency ratios under the medium-term plan;
- the resilience of these ratios in stress test cases.

Depending on the observed solvency ratio levels and the forecasts made under ORSA (Own Risk and Solvency Assessment), remedial actions may be undertaken to adjust own capital.

The risk typology adopted by the BNP Paribas Cardif group is changing in pace with methodological work and regulatory requirements. It is presented according to the main categories as follows:

- underwriting risk: underwriting risk is the risk of a financial loss caused by a sudden, unexpected increase in insurance claims. Depending on the type of insurance business (life, non-life), this risk may be statistical, macroeconomic or behavioural, or may be related to public health issues or disasters;
- market risk: market risk is the risk of a financial loss arising from adverse movements of financial markets. These adverse movements are notably reflected in price fluctuations (foreign exchange rates, bonds, equities and commodities, derivatives, real estate, etc.) and derived from fluctuations in interest rates, credit spreads, volatilities and correlations;
- credit risk: credit risk is the risk of loss or adverse change in the financial situation resulting from fluctuations in the credit standing of issuers of securities, counterparties, and any debtors to which the BNP Paribas Cardif group is exposed. Among the debtors, risks related to financial instruments (including the banks in which the BNP Paribas Cardif group holds deposits) and risks related to receivables generated by the underwriting activities (premium collection, reinsurance recovering, etc.) are divided into two categories: assets credit risk and liabilities credit risk;
- liquidity risk: liquidity risk is the risk of being unable to fulfil current or future foreseen or unforeseen cash requirements coming from insurance commitments to policyholders, because of an inability to sell assets in a timely manner;
- operational risk: operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, IT failures or external events, whether accidental or natural. These external events include those of human or natural origin.

The BNP Paribas Cardif group is exposed mainly to credit, underwriting, and market risks. The BNP Paribas Cardif group closely monitors its exposures and profitability, taking into account these various risks and the adequacy of its capital with regard to regulatory solvency requirements. It endeavours to contain potential losses in adverse scenarios at acceptable levels.

The risk strategy is implemented and monitored through an organisation tailored to the broad risk classes and supported by *ad hoc* governance structures. The governance and risk management systems are presented in sections B. System of Governance and C. Risk profile of the BNP Paribas Cardif group's Solvency and Financial Condition Report (SFCR), available on the institutional website at https://www.bnpparibascardif.com.

## MARKET RISK [Audited]

Market risk arises mainly in the Savings business, where technical reserves represent over 95% of the BNP Paribas Cardif group subsidiaries' liabilities.

Interest rate risk management for the general insurance funds and the asset diversification policy have driven investment in real estate assets, equities and fixed-income securities, including government bonds particularly in the euro zone countries.

Market risk falls into four categories:

## INTEREST RATE RISK

Underwritten life insurance policies are measured based on either a contractual fixed rate or a variable rate, with or without a minimum guaranteed return. All of these policies give rise to an interest rate and asset value risk, corresponding to the risk that the return on admissible assets (i.e. assets acquired by investing premiums) is less than the contractual return payable to policyholders. In France, the average rate guaranteed by Cardif Assurance Vie in 2017 remained stable, below 0.1%.

Besides, 83% of BNP Paribas Cardif group's mathematical reserves have guaranteed minimum return commitments with a term of less than or equal to two years.

In France, to cover for future potential financial losses, estimated over the lifetime of the policies, a provision for future adverse deviation (*provision pour aléas financiers*) is booked when total amount of technical interest plus the guaranteed return payable to policyholders through technical reserves is not covered by 80% of the return on the admissible assets. No provision for future adverse deviation was booked at 31 December 2017, 2016, or 2015, as the returns guaranteed by the insurance subsidiaries were low and the guarantees were for short periods, resulting in only limited exposure.

## LIQUIDITY RISK

Liquidity risk is managed centrally by the Asset/Liability Management unit. Asset-liability matching reviews are performed regularly to measure and manage the financial risks incurred. They are based on medium and/or long-term profit and loss account and balance sheet projections prepared using a range of economic scenarios. The results of these reviews are analysed in order to determine any adjustments to assets (through strategic allocation, diversification, use of derivatives, etc.) required to reduce the risks arising from changes in interest rates and asset values.

## SPREAD RISK

Limits by issuer and rating type (investment grade, non investment grade) are monitored regularly. Issuer credit quality is also reviewed frequently. There is little exposure to sovereign risk in the peripheral euro zone countries.

## CHANGE IN THE VALUE OF ASSETS

The exposure to the risk of a fall in asset values (interest rate, spread, equities, real estate) is mitigated by the mechanism of the deferred participating benefit, attached to the insurance contracts containing a participation feature.

At 31 December 2017, the unrealised capital gains of the BNP Paribas Cardif group's main general fund in France amounted to EUR 16 billion, and the unrealised capital gains of the BNP Paribas Cardif group's general fund in Italy amounted to EUR 2.3 billion.

## GROUP BNP PARIBAS CARDIF INVESTMENTS

The investments of BNP Paribas Cardif are mainly managed through its subsidiary in France, Cardif Assurance Vie, and its subsidiary in Italy, Cardif Vita.



### ➤ TABLE 86: CARDIF ASSURANCE VIE – BREAKDOWN OF THE MAIN GENERAL FUND

At 31 December 2017, through the main general fund of Cardif Assurance Vie, the BNP Paribas Cardif group managed EUR 95.2[(1)] billion at net book value, EUR 111.1[(1)] billion at market value, presented as follows, according to Solvency II categories:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| *In millions of euros* | Net book value[(*)] | Market value[(*)] | Net book value[(*)] | Market value[(*)] |
| Fixed rate | 70,388 | 80,120 | 67,074 | 77,628 |
| *of which government bonds* | *36,553* | *42,682* | *35,416* | *42,281* |
| Variable rates and inflation indexed | 6,396 | 6,982 | 6,117 | 6,573 |
| *of which government bonds* | *911* | *1,130* | *1,048* | *1,294* |
| Equity-linked notes and convertible bonds | 1,839 | 2,032 | 2,289 | 2,567 |
| Equities and UCIT equities | 8,279 | 11,573 | 8,818 | 11,478 |
| Alternative funds | 1,465 | 1,693 | 1,629 | 1,770 |
| Real estate | 6,498 | 8,423 | 6,257 | 7,871 |
| Hedging instruments | 294 | 288 | 296 | 227 |
| **TOTAL** | **95,159** | **111,111** | **92,481** | **108,113** |

(*) *Accrued interest included, amount net of payables representative of securities sold under agreement.*

(1) *Accrued interest included, amount net of payables representative of securities sold under agreement.*

## TABLE 87: CARDIF ASSURANCE VIE – BOND EXPOSURE OF THE MAIN GENERAL FUND BY ISSUER

| Exposure by rating | 31 December 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | Govies | Corporate | Total | Govies | Corporate | Total |
| AAA | 3.9% | 3.5% | 7.5% | 3.8% | 3.6% | 7.5% |
| AA | 32.2% | 3.2% | 35.3% | 31.3% | 6.0% | 37.3% |
| A | 2.2% | 23.5% | 25.7% | 2.6% | 26.5% | 29.1% |
| BBB | 11.4% | 16.9% | 28.2% | 11.5% | 12.8% | 24.3% |
| <BBB(*) | 0.3% | 2.9% | 3.2% | 0.1% | 1.7% | 1.8% |
| **TOTAL** | **50.1%** | **49.9%** | **100.0%** | **49.4%** | **50.6%** | **100.0%** |

(*) *Including non-rated bonds.*

## TABLE 88: CARDIF ASSURANCE VIE – BOND EXPOSURE OF THE MAIN GENERAL FUND BY COUNTRY AND EXTERNAL RATING

| *In millions of euros* | | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Exposure by country | Ratings | Net book value(*) | Net book value(*) |
| France | AA | 19,606 | 18,095 |
| Italy | BBB | 4,812 | 5,599 |
| Belgium | AA- | 2,869 | 3,195 |
| Spain | BBB | 2,999 | 2,815 |
| Austria | AA+ | 1,550 | 1,556 |
| Netherlands | AAA | 1,151 | 1,149 |
| Germany | AAA | 816 | 726 |
| Ireland | A | 782 | 783 |
| Portugal | BB+ | 92 | 92 |
| Other | | 2,787 | 2,455 |
| **TOTAL** | | **37,464** | **36,464** |

(*) *Accrued interest included, amount net of payables representative of securities sold under agreement.*

Moreover, at 31 December 2017, the BNP Paribas Cardif group managed, through its Italian subsidiary Cardif Vita, EUR 17.1 billion (1) at net book value, EUR 19.4 billion (1) at market value , presented as follows, according to Solvency II categories:

## TABLE 89: CARDIF VITA – BREAKDOWN OF THE MAIN GENERAL FUND

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| *In millions of euros* | Net book value(*) | Market value(*) | Net book value(*) | Market value(*) |
| Fixed rate | 13,923 | 15,694 | 13,480 | 15,413 |
| *of which government bonds* | *9,120* | *10,546* | *8,907* | *10,565* |
| Variable rates and inflation indexed | 1,252 | 1,313 | 1,206 | 1,251 |
| *of which government bonds* | *417* | *476* | *392* | *457* |
| Equity-linked notes and convertible bonds | 166 | 185 | 157 | 169 |
| Equities and UCIT equities | 1,146 | 1,546 | 1,111 | 1,382 |
| Alternative funds | 269 | 276 | 230 | 228 |
| Real Estate | 368 | 395 | 298 | 303 |
| **TOTAL** | **17,124** | **19,409** | **16,482** | **18,746** |

(*) *Accrued interest included, amount net of payables representative of securities sold under agreement.*

## TABLE 90: CARDIF VITA – BOND EXPOSURE OF THE MAIN GENERAL FUND BY ISSUER

| | 31 December 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| Exposure by rating | Govies | Corporate | Total | Govies | Corporate | Total |
| AAA | 0.2% | 0.7% | 0.9% | 0.0% | 0.7% | 0.7% |
| AA | 3.9% | 1.3% | 5.2% | 0.7% | 2.2% | 2.9% |
| A | 0.4% | 9.6% | 9.9% | 0.9% | 11.3% | 12.2% |
| BBB | 65.5% | 16.3% | 81.7% | 69.0% | 13.7% | 82.7% |
| < BBB(*) | 0.2% | 2.0% | 2.2% | - | 1.5% | 1.5% |
| **TOTAL** | **70.1%** | **29.9%** | **100.0%** | **70.6%** | **29.4%** | **100.0%** |

(*) *Including non-rated bonds.*

## TABLE 91: CARDIF VITA – BOND EXPOSURE OF THE MAIN GENERAL FUND BY COUNTRY AND EXTERNAL RATING

| *In millions of euros* | | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Exposure by country | Ratings | Net book value(*) | Net book value(*) |
| Italy | BBB | 8,474 | 8,852 |
| France | AA | 501 | 29 |
| Spain | BBB | 252 | 161 |
| Belgium | AA- | 40 | 40 |
| Austria | AA+ | 1 | 1 |
| Germany | AAA | 1 | 1 |
| Others | | 268 | 217 |
| **TOTAL** | | **9,537** | **9,299** |

(1) *Accrued interest included, amount net of payables representative of securities sold under agreement.*

## INSURANCE UNDERWRITING RISK [Audited]

Underwriting risk arises mainly from the surrender risk in the savings business line, and in creditor insurance contracts for the protection business.

There are three types of underwriting risk:

### SAVINGS – SURRENDER RISK

Savings contracts include a surrender clause allowing policyholders to request reimbursement of all or part of their accumulated savings. The insurer is thus exposed to the risk of surrender volumes being higher than the forecasts used for ALM purposes, leading to potential capital losses on asset disposals needed to finance excess surrenders.

The surrender risk is limited, however, as:

- policyholder behaviour is monitored on an ongoing basis, in order to regularly align the duration of assets with that of the corresponding liabilities and reduce the risk of abrupt, large-scale asset sales. Changes in assets and liabilities are projected over periods of up to forty years, in order to identify mismatches giving rise to a liquidity risk. These analyses are then used to determine the choice of maturities for new investments and the assets to be sold. Short-term (twelve months) liquidity analyses are also carried out, which include various surrender rate increase assumptions to ensure that the company can withstand stress situations;
- the guaranteed revaluation of policies is completed by a participating benefit feature partly discretionary, that raises the total return to a level in line with market benchmarks and reduces the risk of an increase in surrenders. The policyholders' surplus reserve is the mechanism in France that enables the surplus actually paid out to be pooled and spread between generations of policyholders;
- the return on financial assets is protected mainly through the use of hedging instruments.

#### TABLE 92: AVERAGE REDEMPTION RATES FOR BNP PARIBAS CARDIF GENERAL FUNDS(*)

| | Annual redemption rate | |
|---|---|---|
| | 2017 | 2016 |
| France | 6.4% | 5.9% |
| Italy | 8.9% | 8.9% |
| Luxembourg | 6.5% | 8.3% |

*(*) Individual savings.*

### SAVINGS – UNIT-LINKED CONTRACTS WITH A GUARANTEED MINIMUM BENEFIT

The insurer's liabilities are covered by the assets held, that are used as a valuation reference. The consistency of this coverage is controlled at monthly intervals.

Certain unit-linked commitments provide for the payment of a death benefit at least equal to the cumulative premiums invested in the contract, whatever the conditions on the financial markets at the time of the insured's death. The risk on these contracts is both statistical (probability of a claim) and financial (market value of the units).

The capital guarantee is generally subject to certain limits. In France, for example, most contracts limit the guarantee to one year (renewable annually), an age limit of 80 to benefit from the guarantee and a maximum of EUR 765,000 per insured.

The minimum guaranteed benefit reserve is (re)assessed every quarter and takes into account the probability of death, based on a deterministic scenario, and stochastic analyses of changing financial market prices. The reserve amounted to EUR 6.5 million at 31 December 2017 (*versus* EUR 6.4 million at 31 December 2016).

### PROTECTION

These risks result mainly from the sale of creditor insurance, as well as personal risk insurance (individual death and disability, extended warranty, theft, accidental damage, annuity policies in France), with geographic coverage in many countries.

Creditor insurance mainly covers death, disability, critical illness, work disability, loss of employment and financial loss risks for revolving credit, personal loans and mortgage loans. The insurance book comprises a very large number of policies representing low risks and low premiums. Margins depend on the size of the insurance book, effective pooling of risks and tight control of administrative costs. The term of these contracts is usually equal to the term of the underlying loan and the premium is either deducted once upon issuance of the policy (single premium) or deducted regularly throughout the term of the policy (regular or periodic premiums).

Other contracts (individual death and disability, extended warranty, theft, accidental damage, and annuity policies in France) are either for personal risk (death, accidental death, hospitalisation, critical illness, healthcare expenses) or property & casualty risk (accidental damage, breakdown or theft of consumer goods or vehicles). The individual sums insured under these contracts are generally low, whether they are indemnities or lump-sum payment.

Lastly, principally through entities in France and Italy, motor contracts (material damage, civil liability) and comprehensive household contracts are also underwritten. This type of insurance coverage is also developing in the international market, namely in Latin America.

The actuarial oversight system set up to prevent and control actuarial risks in France and internationally is based on guidelines and tools that describe the principles, rules, methods and best practices to be followed by each actuary throughout the policies' life cycle, the tasks to be performed by the actuaries and their reporting obligations. It also sets out the practices that are excluded or that are allowed only if certain conditions are met.

Risks underwritten must comply with delegation limits set at various local and central levels depending on the estimated maximum acceptable losses, the estimated Solvency II capital requirements and the estimated margins on the policies concerned. The experience acquired in managing geographically diversified portfolios is used to regularly update risk pricing databases comprising a wide range of criteria (loan type for creditor insurance, guarantee and insured population, etc.). Each contract is priced by reference to the profitability and return-on-equity targets set by the Executive Management of the BNP Paribas Cardif group.

Reinsurance is a complementary element of the underwriting risk management system. Its objective is to protect the BNP Paribas Cardif group against three main risks:

- so-called "peak" risk from exposure to an individual risk exceeding a certain threshold, called "full retention". In personal insurance, this threshold is currently set at EUR 2 million per life. The reinsurance of peak risk may take the form of surplus or excess of loss treaties;
- the catastrophe risk associated with exposure to a single low occurrence event, but very strong financial impact (concentration risk). This risk can be reinsured in the form of a catastrophe excess of loss treaty;
- risk on new products, linked to insufficient pooling, lack of mastery of the technical databases or uncertainty on beneficiaries' data. This risk can be reinsured in the form of quota share, stop loss or excess of loss treaties, depending on the level of risk identified.

Risk exposures are monitored periodically by the Executive Committee of the BNP Paribas Cardif group through the Commitment Monitoring Committees and the Risk Committees that are based on a two-pronged approach:

- quarterly monitoring of loss ratios at each accounting quarter end;
- supplemented by monitoring of the portfolio characteristics according to a schedule based on the type of product (monthly, quarterly and annually).

Contract pricing for annuity contracts are based on mortality tables applicable under insurance regulations, adjusted in some cases by portfolio specific data which is certified by independent actuaries. The result is a low annuity risk.

Underwriting risks are covered by various technical reserves:

- the mathematical reserves in Life insurance;
- the unearned premiums reserves for non-Life underwriting, generally calculated on an accruals basis, possibly supplemented by reserves for current risks;
- the reserves for increasing risk in certain cases (long-term policies with constant periodic premiums and increasing risk);
- the outstanding claims reserves, determined by reference to reported claims;
- the IBNR (claims incurred but not reported) reserves, determined on the basis of either observed settlements or the expected number of claims and the average cost per claim;
- the reserves for claims management, generally calculated pro rata to the claims reserves.

The level of prudence adopted for the overall assessment of claims incurred but not reported corresponds to the 90% quantile.

# Appendix 1: Exposures based on Financial Stability Board recommendations

## FUNDING THROUGH PROPRIETARY SECURITISATION

| Cash securitisation as at 31 December 2017 *In billions of euros* | Amount of securitised assets | Amount of notes | Securitised positions held | |
|---|---|---|---|---|
| | | | First losses | Others |
| **Personal Finance** | **3.6** | **3.3** | **0.3** | **0.8** |
| o/w Residential loans | 3.6 | 3.3 | 0.3 | 0.8 |
| o/w Consumer loans | | | | |
| o/w Lease receivables | | | | |
| **BNL** | **1.0** | **0.7** | **0.2** | **0.2** |
| o/w Residential loans | 1.0 | 0.7 | 0.2 | 0.2 |
| o/w Consumer loans | | | | |
| o/w Lease receivables | | | | |
| o/w Public sector | | | | |
| **TOTAL** | **4.6** | **4.0** | **0.5** | **1.0** |

Among the securitisation exposures originated by BNP Paribas at 31 December 2017, loans refinanced through securitisations amounted to EUR 4.6 billion, down EUR 0.3 billion compared with 31 December 2016, mainly due to the amortisation of the underlying loan portfolios.

EUR 1 billion of securitised positions were held at the end of 2017 (excluding first loss tranches).

## SENSITIVE LOAN PORTFOLIOS

### PERSONAL LOANS

| At 31 December 2017<br>*In billions of euros* | | Gross outstanding | | | | | Allowances | | Net exposure |
|---|---|---|---|---|---|---|---|---|---|
| | | Consumer | First Mortgage: Full Doc | First Mortgage: Alt A | Home Equity Loans | Total | Portfolio | Specific | |
| US | | 14.1 | 8.8 | 0.1 | 3.0 | 26.1 | (0.3) | (0.0) | 25.8 |
| Super Prime | FICO(*) > 730 | 10.1 | 6.3 | 0.0 | 2.2 | 18.6 | (0.3) | (0.0) | 18.4 |
| Prime | 600 < FICO(*) < 730 | 3.9 | 2.5 | 0.0 | 0.8 | 7.2 | - | - | 7.2 |
| Subprime | FICO(*) < 600 | 0.1 | 0.0 | - | 0.0 | 0.2 | - | - | 0.2 |
| UK | | 4.3 | - | - | - | 4.3 | (0.0) | (0.2) | 4.1 |
| Spain | | 5.2 | 4.9 | - | - | 10.1 | (0.1) | (0.5) | 9.5 |

(*) *At origination.*

At 31 December 2017, the portfolio of personal loans, identified as potentially coming under the scope of the Financial Stability Board recommendations, was characterised by:

- the high quality of the US portfolio, with net exposure amounting to EUR 25.8 billion, down by EUR 3 billion compared with 31 December 2016, mainly due to a EUR -3.6 billion foreign exchange effect partially offset by the Super Prime category (EUR +0.5 billion excluding foreign exchange impact). The quality of the consumer loan portfolio is good;
- moderate exposure in the United Kingdom, amounting to EUR 4.1 billion, up by EUR 2.2 billion compared with 31 December 2016, mainly related to the acquisition of the financing activities of General Motors Europe;
- well-secured exposure to Spanish risk through mortgages on the real estate portfolio as well as the integration of a new entity following the application of new consolidation thresholds (GCC Consumo Establecimiento +EUR 0.4 billion).

### COMMERCIAL REAL ESTATE

| At 31 December 2017<br>*In billions of euros* | Gross exposure | | | | | Allowances | | Net exposure |
|---|---|---|---|---|---|---|---|---|
| | Home Builders | Non residential developers | Property companies | Others(*) | Total | Portfolio | Specific | |
| US | 0.7 | 1.0 | 0.7 | 8.4 | 10.8 | (0.0) | - | 10.8 |
| BancWest | 0.7 | 1.0 | - | 8.4 | 10.1 | (0.0) | (0.0) | 10.1 |
| CIB | 0.1 | - | 0.7 | 0.0 | 0.7 | - | - | 0.7 |
| UK | - | 0.4 | 1.0 | 1.1 | 2.6 | - | - | 2.6 |
| Spain | - | - | 0.4 | 0.2 | 0.6 | - | - | 0.6 |

(*) *Excluding owner-occupied and real estate-backed loans to corporates.*

At 31 December 2017, the commercial real estate loan portfolio, identified as potentially coming under the scope of the Financial Stability Board recommendations, was characterised by:

- a diversified and granular exposure to risk in the United States, down by EUR 2.7 billion compared to 31 December 2016, mainly attributable to an acquisition and disposals impact of -EUR 1.5 billion, as well as a change of -EUR 0.6 billion seen in the real estate development sector;
- exposure to the UK concentrated on large property investment companies, down by EUR 50 million compared with 31 December 2016;
- still limited exposure to a Spanish commercial real estate risk.

# REAL ESTATE-RELATED ABS AND CDO EXPOSURES

## BANKING AND TRADING BOOKS

| *In billions of euros* | 31 December 2016 | 31 December 2017 | | |
|---|---|---|---|---|
| | Net exposure | Gross exposure(*) | Allowances | Net exposure |
| **Total RMBS** | **1.7** | **2.0** | **0.0** | **2.0** |
| US | | | | |
| US Subprime | 0.0 | 0.0 | 0.0 | 0.0 |
| US Prime(**) | 0.0 | 0.0 | 0.0 | 0.0 |
| US Alternative-A | 0.0 | 0.0 | 0.0 | 0.0 |
| UK | | | | |
| UK Prime | 0.4 | 0.8 | 0.0 | 0.8 |
| UK Buy-to-let | 0.1 | 0.1 | 0.0 | 0.1 |
| UK Non-conforming | 0.3 | 0.0 | 0.0 | 0.0 |
| Spain | 0.3 | 0.1 | 0.0 | 0.1 |
| Netherlands | 0.1 | 0.4 | 0.0 | 0.4 |
| Other countries | 0.5 | 0.6 | 0.0 | 0.6 |
| **Total CMBS** | **0.2** | **0.3** | **0.0** | **0.3** |
| US | 0.1 | 0.0 | 0.0 | 0.0 |
| Non US | 0.1 | 0.3 | 0.0 | 0.3 |
| **Total CDOs (cash and synthetic)** | **0.7** | **0.0** | **0.0** | **0.0** |
| RMBS | 0.1 | 0.0 | 0.0 | 0.0 |
| US | 0.0 | 0.0 | 0.0 | 0.0 |
| Non US | 0.1 | 0.0 | 0.0 | 0.0 |
| CMBS | 0.4 | 0.0 | 0.0 | 0.0 |
| **Total** | **2.4** | **2.3** | **0.0** | **2.3** |
| o/w Trading Book | 0.1 | 0.2 | 0.0 | 0.2 |
| **TOTAL SUBPRIME, ALT-A, US CMBS AND RELATED CDOS** | **0.8** | **0.0** | **0.0** | **0.0** |

*(*) Entry price + accrued interests – amortisation.*
*(**) Excluding Government Sponsored Entity backed securities.*

At 31 December 2017, the banking book's net real estate-related ABS and CDO exposure stood at EUR 2.3 billion, stable compared with 31 December 2016 (-EUR 0.1 billion). The assets are booked at amortised cost with the appropriate provision in case of prolonged impairment.

## EXPOSURE TO PROGRAMME COUNTRIES

### GREECE

| In billions of euros | 31 December 2017 | | | |
|---|---|---|---|---|
| | Total(*) | Of which sovereign | Of which corporates | Of which other(**) |
| Exposure net collateral and provisions | 0.5 | - | 0.3 | 0.2 |

*(*) Excluding exposure to companies related to Greek interests (e.g.: shipping) that are not dependent on the country's economic situation (EUR 1.2 billion).*
*(**) Including Personal Finance, Arval, Wealth Management.*

# Appendix 2: Sovereign exposures [Audited]

The BNP Paribas Group is exposed to sovereign risk, which is the risk of a State defaulting on its debt, i.e. a temporary or prolonged interruption of debt servicing (interest and/or principal). The Group is thus exposed to credit, counterparty or market risk according to the accounting category of the financial asset issued by the sovereign State.

Exposure to sovereign debt mainly consists of securities. The Group holds sovereign bonds as part of its liquidity management process. Liquidity management is based in particular on holding securities eligible as collateral for refinancing by central banks and includes a substantial share of highly rated debt securities issued by governments, representing a low level of risk. Moreover, as part of its assets and liability management and structural interest rate risk management policy, the Group also holds a portfolio of assets including sovereign debt instruments, with interest-rate characteristics that contribute to its hedging strategies. In addition, the Group is a primary dealer in sovereign debt securities in a number of countries, which leads it to take temporary long and short trading positions, some of which are hedged by derivatives.

Sovereign exposures held by the Group are presented in the table hereafter in accordance with the method defined by the EBA for the 2014 stress tests covering a scope which includes sovereigns as well as local and regional authorities.

## BANKING AND TRADING BOOKS SOVEREIGN EXPOSURES BY GEOGRAPHICAL BREAKDOWN

| Exposures *In millions of euros* | 31 December 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Banking book(1) | | | Trading book | | |
| | | | | | | Derivatives(2) | |
| | Total | of which financial assets available for sales | of which loans & receivables | of which financial instruments designated as at fair value through profit or loss | Financial instruments at fair value through profit or loss held for trading (excl. derivatives) | Direct exposures(3) | Indirect exposures(4) |
| Euro zone | | | | | | | |
| Austria | 2,278 | 2,275 | 3 | - | (124) | 21 | 1 |
| Belgium | 13,552 | 12,474 | 1,078 | - | 363 | 303 | 4 |
| France | 10,412 | 9,913 | 141 | - | (1,292) | (9) | 112 |
| Germany | 5,709 | 5,709 | - | - | 3,427 | 244 | - |
| Ireland | 948 | 763 | 185 | - | (30) | 2 | - |
| Italy | 9,805 | 9,485 | 320 | - | (156) | 7,172 | 11 |
| Netherlands | 1,073 | 1,073 | - | - | (160) | (1,024) | - |
| Portugal | 538 | 395 | 143 | - | 248 | (8) | 2 |
| Spain | 3,544 | 3,535 | 9 | - | (536) | 32 | (1) |
| Other euro zone countries | 1,128 | 1,028 | 100 | - | 125 | 249 | - |
| Programme countries | | | | | | | |
| Greece | - | - | - | - | 7 | 77 | - |
| **TOTAL EURO ZONE** | **48,987** | **46,650** | **1,979** | **-** | **1,872** | **7,059** | **129** |
| Other European Economic Area countries | | | | | | | |
| Poland | 3,971 | 3,971 | - | - | 578 | (132) | 2 |
| United Kingdom | 3,239 | 3,239 | - | - | 202 | (4) | (71) |
| Other EEA countries | 554 | 554 | - | - | 253 | (37) | (2) |
| **TOTAL OTHER EEA COUNTRIES** | **7,764** | **7,764** | **-** | **-** | **1,033** | **(173)** | **(71)** |
| **TOTAL EEA** | **56,751** | **54,414** | **1,979** | **-** | **2,905** | **6,886** | **58** |
| United States | 6,684 | 6,684 | - | - | 8,752 | 11 | 2 |
| Japan | 296 | 296 | - | - | 1,473 | 486 | 29 |
| Turkey | 1,156 | 993 | 163 | - | 1,366 | 1 | 16 |
| Others | 9,812 | 7,480 | 2,244 | - | 3,445 | 90 | 62 |
| **TOTAL** | **74,699** | **69,867** | **4,386** | **-** | **17,941** | **7,474** | **167** |

(1) *Book value after revaluation and before any impairment provision.*
(2) *Market value.*
(3) *Sovereign counterparty risk: direct exposure to a sovereign counterparty. This excludes exposure to a non-sovereign counterparty fully or partly covered by a central government (sovereign) guarantee.*
(4) *Positions held with a non-sovereign counterparty, exposing BNP Paribas to a credit risk on a sovereign third party. For example, sale of a CDS to a non-sovereign third party as a hedge against a sovereign's default. This excludes exposures to non-sovereign counterparties fully or partly covered by guarantees from local authorities, regional or central (sovereign) governments.*

| Exposures<br>*In millions of euros* | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Banking book(1) | | | Trading book | | |
| | | | | | | Derivatives(2) | |
| | Total | of which financial assets available for sales | of which loans & receivables | of which financial instruments designated as at fair value through profit or loss | Financial instruments at fair value through profit or loss held for trading (excl. derivatives) | Direct exposures(3) | Indirect exposures(4) |
| **Euro zone** | | | | | | | |
| Austria | 2,738 | 2,738 | - | - | (181) | 24 | - |
| Belgium | 15,842 | 14,702 | 1,139 | - | (305) | 295 | 10 |
| France | 12,197 | 11,684 | 159 | - | 73 | (42) | 900 |
| Germany | 5,458 | 5,458 | - | - | (2,810) | 289 | (11) |
| Ireland | 1,521 | 1,342 | 179 | - | (79) | (88) | 1 |
| Italy | 12,318 | 11,971 | 347 | - | 120 | 8,205 | 40 |
| Netherlands | 4,681 | 4,681 | - | - | (725) | (1,516) | 12 |
| Portugal | 865 | 591 | 274 | - | (184) | (34) | 3 |
| Spain | 4,382 | 4,369 | 13 | - | (29) | 14 | - |
| Other euro zone countries | 1,080 | 947 | 132 | - | (31) | 121 | (1) |
| **Programme countries** | | | | | | | |
| Greece | - | - | - | - | (2) | 107 | - |
| **TOTAL EURO ZONE** | **61,082** | **58,484** | **2,243** | **-** | **(4,153)** | **7,376** | **952** |
| **Other European Economic Area countries** | | | | | | | |
| Poland | 2,939 | 2,939 | - | - | 228 | (76) | 3 |
| United Kingdom | 5,751 | 5,750 | - | - | 1,754 | 13 | (101) |
| Other EEA countries | 590 | 583 | 6 | - | 174 | (73) | - |
| **TOTAL OTHER EEA COUNTRIES** | **9,279** | **9,272** | **6** | **-** | **2,156** | **(136)** | **(98)** |
| **TOTAL EEA** | **70,361** | **67,757** | **2,250** | **-** | **(1,997)** | **7,240** | **854** |
| United States | 12,339 | 12,251 | 89 | - | 3,617 | (6) | 584 |
| Japan | 990 | 984 | 6 | - | 1,490 | 193 | 15 |
| Turkey | 1,260 | 1,094 | 69 | - | 982 | - | 30 |
| Others | 11,664 | 8,852 | 2,812 | - | 4,429 | 425 | 128 |
| **TOTAL** | **96,615** | **90,938** | **5,226** | **-** | **8,521** | **7,852** | **1,611** |

(1) *Book value after revaluation and before any impairment provision.*
(2) *Market value.*
(3) *Sovereign counterparty risk: direct exposure to a sovereign counterparty. This excludes exposure to a non-sovereign counterparty fully or partly covered by a central government (sovereign) guarantee.*
(4) *Positions held with a non-sovereign counterparty, exposing BNP Paribas to a credit risk on a sovereign third party. For example, sale of a CDS to a non-sovereign third party as a hedge against a sovereign's default. This excludes exposures to non-sovereign counterparties fully or partly covered by guarantees from local authorities, regional or central (sovereign) governments.*

# Appendix 3: Regulatory capital – Detail

The table below is presented in the format required under Annex VI of Implementing Regulation (EU) No. 1423/2013 of 20 December 2013.

## ➤ REGULATORY CAPITAL ACCORDING TO ANNEX VI OF IMPLEMENTING REGULATION (EU) NO. 1423/2013

| | | 31 December 2017 | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|
| | *In millions of euros* | Phased in | Transitional arrangements(*) | Phased in | Transitional arrangements(*) | Reference to Table 6 | Notes |
| **Common Equity Tier 1 (CET1) capital: instruments and reserves** | | | | | | | |
| 1 | Capital instruments and the related share premium accounts | 27,084 | - | 26,995 | - | 6 | - |
| | *of which ordinary shares* | *27,084* | - | *26,995* | - | - | - |
| 2 | Retained earnings | 56,536 | - | 52,070 | - | - | - |
| 3 | Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) | 3,130 | - | 6,169 | - | 8 | - |
| 3a | Funds for general banking risk | - | - | - | - | - | - |
| 4 | Amounts of qualifying items referred to in article 484 (3) and the related share premium accounts subject to phase out from CET1 | - | - | - | - | - | - |
| | Public sector capital injections grandfathered until 1 January 2018 | - | - | - | - | - | - |
| 5 | Minority interests (amount allowed in consolidated CET1) | 2,843 | 492 | 2,837 | 854 | 10 | (1) |
| 5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 3,705 | - | 3,979 | - | 9 | (2) |
| **6** | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **93,297** | **492** | **92,051** | **854** | **-** | **-** |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | | | | | | |
| 7 | Additional value adjustments (negative amount) | (735) | - | (1,018) | - | - | - |
| 8 | Intangible assets (net of related tax liability) (negative amount) | (12,817) | - | (13,431) | - | 3 | (3) |
| 9 | Empty set in the EU | - | - | - | - | - | - |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in article 38 (3) are met) (negative amount) | (523) | 306 | (378) | 506 | - | - |
| 11 | Fair value reserves related to gains or losses on cash flow hedges | (1,141) | - | (1,154) | - | - | - |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | (1,310) | 9 | (1,034) | 12 | - | - |

| In millions of euros | | 31 December 2017 | | 31 December 2016 | | Reference to Table 6 | Notes |
|---|---|---|---|---|---|---|---|
| | | Phased in | Transitional arrangements(*) | Phased in | Transitional arrangements(*) | | |
| 13 | Any increase in equity that results from securitised assets (negative amount) | - | - | - | - | - | - |
| 14 | Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | 319 | 4 | 195 | 45 | - | - |
| 15 | Defined-benefit pension fund assets (negative amount) | (190) | - | (141) | - | - | - |
| 16 | Direct and indirect holdings by an institution of own CET1 instruments (negative amount) | (126) | 32 | (67) | 45 | - | - |
| 17 | Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | - | - | - | - | - |
| 18 | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | - | - | - | - | - |
| 19 | Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | - | - | - | - | - |
| 20 | Empty set in the EU | - | - | - | - | - | - |
| 20a | Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative | (190) | - | - | - | - | - |
| *20b* | *of which: qualifying holdings outside the financial sector (negative amount)* | - | - | - | - | - | - |
| *20c* | *of which: securitisation positions (negative amount)* | *(190)* | - | - | - | - | - |
| *20d* | *of which: free deliveries (negative amount)* | - | - | - | - | - | - |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in article 38 (3) are met) (negative amount) | - | - | - | - | - | - |
| 22 | Amount exceeding the 15% threshold (negative amount) | - | - | - | - | - | - |
| *23* | *of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities* | - | - | - | - | - | - |

| | *In millions of euros* | 31 December 2017 Phased in | 31 December 2017 Transitional arrangements(*) | 31 December 2016 Phased in | 31 December 2016 Transitional arrangements(*) | Reference to Table 6 | Notes |
|---|---|---|---|---|---|---|---|
| 24 | Empty set in the EU | - | - | - | - | - | - |
| *25* | *of which: deferred tax assets arising from temporary differences* | - | - | - | - | - | - |
| 25a | Losses for the current financial year (negative amount) | - | - | - | - | - | - |
| 25b | Foreseeable tax charges relating to CET1 items (negative amount) | - | - | - | - | - | - |
| 26 | Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment | - | - | - | - | - | - |
| 26a | Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468 | (448) | (448) | (948) | (948) | - | - |
| | *of which: … unrealised gains (phase out)* | *(342)* | *(342)* | *(803)* | *(803)* | - | - |
| | *of which: … unrealised losses (phase out)* | - | - | - | - | - | - |
| | *of which: unrealised gains linked to exposures to central administrations (phase out)* | *(107)* | *(107)* | *(145)* | *(145)* | - | - |
| | *of which: unrealised losses linked to exposures to central administrations (phase out)* | - | - | - | - | - | - |
| 26b | Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR | - | - | - | - | - | - |
| 27 | Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount) | - | - | - | - | - | - |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **(17,162)** | **(97)** | **(17,976)** | **(341)** | **-** | **-** |
| **29** | **Common Equity Tier 1 (CET1) capital** | **76,135** | **394** | **74,075** | **513** | **-** | **-** |
| **Additional Tier 1 (AT1) capital: instruments** | | | | | | | |
| 30 | Capital instruments and the related share premium accounts | 4,766 | - | 4,120 | - | - | - |
| *31* | *of which: classified as equity under applicable accounting standards* | *4,766* | - | *4,120* | - | *7* | - |
| *32* | *of which: classified as liabilities under applicable accounting standards* | - | - | - | - | - | - |
| 33 | Amount of qualifying items referred to in article 484 (4) and the related share premium accounts subject to phase out from AT1 | 3,406 | 601 | 4,310 | 1,275 | 7 | - |
| | Public sector capital injections grandfathered until 1 January 2018 | - | - | - | - | - | - |
| 34 | Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties | 494 | (5) | 379 | 139 | - | - |
| *35* | *of which: instruments issued by subsidiaries subject to phase out* | *278* | *49* | *235* | *235* | *4* | *(4)* |

| *In millions of euros* | | 31 December 2017 | | 31 December 2016 | | Reference to Table 6 | Notes |
|---|---|---|---|---|---|---|---|
| | | Phased in | Transitional arrangements(*) | Phased in | Transitional arrangements(*) | | |
| **36** | **Additional Tier 1 (AT1) capital before regulatory adjustments** | **8,666** | **596** | **8,809** | **1,414** | **-** | **-** |
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | | | | | | | |
| 37 | Direct and indirect holdings by an institution of own AT1 instruments (negative amount) | (36) | 9 | (8) | 5 | - | - |
| 38 | Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | - | - | - | - | - | - |
| 39 | Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | - | - | - | - | - |
| 40 | Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount) | - | - | - | - | - | - |
| 41 | Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts) | - | - | - | - | - | - |
| 41a | Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No. 575/2013 | (9) | (9) | (16) | (16) | - | - |
| 41b | Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No. 575/2013 | (340) | (340) | (708) | (708) | 1 | (5) |
| 41c | Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR | - | - | - | - | - | - |
| 42 | Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount) | - | - | - | - | - | - |
| **43** | **Total regulatory adjustments to Additional Tier 1 (AT1) capital** | **(385)** | **(340)** | **(732)** | **(719)** | **-** | **-** |
| **44** | **Additional Tier 1 (AT1) capital** | **8,282** | **256** | **8,077** | **695** | **-** | **-** |
| **45** | **Tier 1 capital (T1 = CET1 + AT1)** | **84,417** | **650** | **82,152** | **1,208** | **-** | **-** |

| | *In millions of euros* | 31 December 2017 Phased in | 31 December 2017 Transitional arrangements(*) | 31 December 2016 Phased in | 31 December 2016 Transitional arrangements(*) | Reference to Table 6 | Notes |
|---|---|---|---|---|---|---|---|
| **Tier 2 (T2) capital: instruments and provisions** | | | | | | | |
| 46 | Capital instruments and the related share premium accounts | 12,770 | - | 12,247 | - | 5 | (6) |
| 47 | Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2 | 50 | (375) | 50 | (506) | 5 | (6) |
| | Public sector capital injections grandfathered until 1 January 2018 | - | - | - | - | - | - |
| 48 | Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 and 34) issued by subsidiaries and held by third parties | 600 | (26) | 922 | 117 | 5 | (6) |
| *49* | *of which: instruments issued by subsidiaries subject to phase out* | *151* | *20* | *162* | *162* | - | - |
| 50 | Credit risk adjustments | - | - | - | - | - | - |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | **13,420** | **(402)** | **13,218** | **(389)** | **-** | **-** |
| **Tier 2 (T2) capital: regulatory adjustments** | | | | | | | |
| 52 | Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount) | (117) | 29 | (84) | 56 | - | - |
| 53 | Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | (57) | 6 | (49) | 15 | - | - |
| 54 | Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | - | - | - | - | - | - |
| *54a* | *of which new holdings not subject to transitional arrangements* | - | - | - | - | - | - |
| *54b* | *of which holdings existing before 1 January 2013 and subject to transitional arrangements* | - | - | - | - | - | - |
| 55 | Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount) | (3,004) | 334 | (2,783) | 696 | 1 | - |
| 56 | Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts) | - | - | - | - | - | - |

| | *In millions of euros* | 31 December 2017 Phased in | 31 December 2017 Transitional arrangements(*) | 31 December 2016 Phased in | 31 December 2016 Transitional arrangements(*) | Reference to Table 6 | Notes |
|---|---|---|---|---|---|---|---|
| 56a | Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No. 575/2013 | - | - | - | - | - | - |
| 56b | Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No. 575/2013 | - | - | - | - | - | - |
| 56c | Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR | - | - | - | - | - | - |
| **57** | **Total regulatory adjustments to Tier 2 (T2) capital** | **(3,179)** | **369** | **(2,917)** | **767** | **-** | **-** |
| **58** | **Tier 2 (T2) capital** | **10,241** | **(32)** | **10,302** | **378** | **-** | **-** |
| **59** | **Total capital (TC = T1 + T2)** | **94,658** | **618** | **92,454** | **1,585** | **-** | **-** |
| 59a | Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts) | - | - | - | - | - | - |
| | *of which: CET1 instruments of financial sector entities not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)* | - | - | - | - | - | - |
| | *of which: Deferred tax assets that rely on future profitability and arising from temporary differences not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)* | - | - | - | - | - | - |
| | *of which: AT1 instrument of financial sector entities not deducted from AT1 (Regulation (EU) No. 575/2013 residual amounts)* | - | - | - | - | - | - |
| | *of which: Tier 2 instrument of financial sector entities not deducted from Tier 2 (Regulation (EU) No. 575/2013 residual amounts)* | - | - | - | - | - | - |
| **60** | **TOTAL RISK WEIGHTED ASSETS** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Capital ratios and buffers** | | | | | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk exposure amount) | 11.9% | 0.1% | 11.6% | 0.1% | | |
| 62 | Tier 1 (as a percentage of risk exposure amount) | 13.2% | 0.2% | 12.9% | 0.2% | | |
| 63 | Total capital (as a percentage of risk exposure amount) | 14.8% | 0.2% | 14.5% | 0.3% | | |

| *In millions of euros* | | 31 December 2017 | | 31 December 2016 | | Reference to Table 6 | Notes |
|---|---|---|---|---|---|---|---|
| | | Phased in | Transitional arrangements(*) | Phased in | Transitional arrangements(*) | | |
| 64 | Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount) | 2.250% | 2.250% | 1.125% | 3.375% | | |
| *65* | *of which: capital conservation buffer requirement* | 1.250% | 1.250% | *0.625%* | *1.875%* | | |
| *66* | *of which: countercyclical buffer requirement* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | | |
| *67* | *of which: systemic risk buffer requirement* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | | |
| *67a* | *of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer* | *1.0%* | *1.0%* | *0.5%* | *1.5%* | | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 7.4% | 0.1% | 7.1% | 0.1% | | |
| 69 | [non relevant in EU regulation] | | | | | | |
| 70 | [non relevant in EU regulation] | | | | | | |
| 71 | [non relevant in EU regulation] | | | | | | |
| **Amounts below the thresholds for deduction (be ore risk weighting)** | | | | | | | |
| 72 | Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 2,886 | (132) | 2,757 | (266) | 2 | (7) |
| 73 | Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 3,365 | (56) | 3,604 | (71) | 1 | (7) |
| 74 | Empty set in the EU | - | - | - | - | - | - |
| 75 | Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in article 38 (3) are met) | 2,765 | - | 3,699 | - | - | - |
| **Applicable caps on the inclusion of provisions in Tier 2** | | | | | | | |
| 76 | Credit risk adjustments included in Tier 2 in respect of exposures subject to standardised approach (prior to the application of the cap) | - | - | - | - | - | - |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach | 2,954 | | 2,901 | | - | - |

| | | 31 December 2017 | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|
| *In millions of euros* | | Phased in | Transitional arrangements(*) | Phased in | Transitional arrangements(*) | Reference to Table 6 | Notes |
| 78 | Credit risk adjustments included in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap) | - | - | - | - | - | - |
| 79 | Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach | 1,622 | | 1,566 | | - | - |
| **Capital instruments subject to phase out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)** | | | | | | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | - | - | - | - | - | - |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | - | - | - | - | - | - |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | 5,058 | 2,023 | 6,070 | 3,035 | - | - |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | - | - | - | - | - | - |
| 84 | Current cap on T2 instruments subject to phase out arrangements | 927 | 371 | 1,112 | 556 | - | - |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | - | - | - | - | - | - |

*(*) Amounts subject to pre-regulation treatment or prescribed residual amount of Regulation (EU) No. 575/2013, in accordance with grandfathered Additional Tier 1 and Tier 2 eligibility rules applicable as of 2019.*
*(1) Minority interests are adjusted for their capitalisation surplus for regulated entities. For the other entities, minority interests are not recognised in fully loaded Basel 3.*
*(2) Deductions from net income for the period relate mainly to the proposed dividend distribution.*
*(3) The deduction of intangible assets is calculated net of deferred tax liabilities.*
*(4) Tier 1 capital instruments issued by subsidiaries include subordinated debt, as well as preferred shares recognised in equity.*
*(5) The residual amount of deductions from Tier 2 capital relates to Tier 2 capital instruments in financial sector entities in which the Bank holds a significant investment, or with which the Bank has a cross holding.*
*(6) A prudential discount is applied to Tier 2 capital instruments with less than five years of residual maturity.*
*(7) Holdings of equity instruments in financial institutions are recorded in the banking book, as detailed in the consolidated accounting balance sheet to the prudential balance sheet reconciliation, as well as in the trading book.*

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# Appendix 4: Countercyclical capital buffer

The calculation and the amount of the BNP Paribas' countercyclical capital buffer are given in the tables below, according to the instructions of the Commission Delegated Regulation (EU) No. 2015/1555 of 28 May 2015.

## ➤ BNP PARIBAS COUNTERCYCLICAL CAPITAL BUFFER

| *In millions of euros* | | 31 December 2017 |
|---|---|---|
| 010 | Total risk exposure amount (Total risk-weighted assets – phased-in amount) | 640,644 |
| 020 | Countercyclical capital buffer rate | n.s. |
| 030 | Countercyclical buffer capital requirement | n.s. |

At 31 December 2017, the BNP Paribas' countercyclical capital buffer is not material.

The countercyclical capital buffer is calculated as the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the Group are located. The weight applied to the countercyclical buffer rate in each country is the share of own funds requirements in total own funds requirements relating to relevant credit exposures in the territory in question.

At 31 December 2017, the following countries had a non-zero rate: Iceland (1.25%), Norway (1.5%), Czech Republic (0.5%), Slovakia (0.5%), Sweden (2%), and Hong Kong (1.25%).

The following countries have announced a change in their countercyclical buffer rate, which will become effective during 2018: Lithuania (0.5%), Norway (2%), Czech Republic (1%), United Kingdom (0.5% at 27 June 2018, then 1% at 28 November 2018), Slovakia (1.25%), and Hong Kong (1.875%).

Furthermore, 2 of these countries announced an increase in their countercyclical capital buffers effective 1 January 2019: Hong Kong (2.5%) and Czech Republic (1.25 %).

The Group's countercyclical capital buffer rate expected at 31 December 2018 is 0.07% and 0.08% at 1 January 2019, based on the requirements announced to date.

## GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

| | | 31 December 2017 | | | | | | | | | | 31 December 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | General credit exposures | | Securitisation exposure | | Own funds requirements | | | | | | |
| | | Exposure value for standardised approach | Exposure value for IRB | Exposure value for standardised approach | Exposure value for IRB | Of which: General credit exposures | Of which: Trading book exposures | Of which: Securitisation exposures | Total | Own funds requirement weights | Counter-cyclical buffer rate | Announced counter-cyclical buffer rate(**) |
| | *In millions of euros* | 010 | 020 | 050 | 060 | 070 | 080 | 090 | 100 | 110 | 120 | |
| 010 | Breakdown by country | | | | | | | | | | | |
| | **Europe(*)** | **175,657** | **554,540** | **1,514** | **10,138** | **29,443** | **1,161** | **141** | **30,744** | **0.72** | | |
| | of which Iceland | 1 | 0 | - | - | 0 | - | - | 0 | 0 | 1.25% | 1.25% |
| | of which Lithuania | 8 | 7 | - | - | 1 | - | - | 1 | 0 | | 0.50% |
| | of which Norway | 249 | 1,609 | - | - | 69 | - | - | 69 | 0 | 1.50% | 2.00% |
| | of which Czech Republic | 561 | 1,026 | - | - | 76 | - | - | 76 | 0 | 0.50% | 1.00% |
| | of which United Kingdom | 13,498 | 32,753 | 796 | 2,244 | 1,698 | - | 52 | 1,750 | 0.04 | | 1.00% |
| | of which Slovakia | 309 | 49 | - | - | 20 | - | - | 20 | 0 | 0.50% | 1.25% |
| | of which Sweden | 1,691 | 955 | 23 | 7 | 147 | - | 1 | 147 | 0 | 2.00% | 2.00% |
| | **North America** | **69,185** | **65,174** | **29** | **14,153** | **5,961** | **36** | **135** | **6,131** | **0.14** | | |
| | **Asia Pacific** | **5,418** | **38,959** | **-** | **244** | **2,331** | **2** | **3** | **2,335** | **0.05** | | |
| | of which Hong Kong | 1,455 | 5,800 | - | - | 358 | 2 | - | 360 | 0.01 | 1.250% | 1.875% |
| | **Rest of the World** | **33,991** | **30,205** | **-** | **17** | **3,254** | **9** | **1** | **3,264** | **0.08** | | |
| **020** | **TOTAL** | **284,250** | **688,877** | **1,543** | **24,552** | **40,988** | **1,208** | **279** | **42,475** | **1** | **n.s.** | **0.07%** |

*(*) Within the European Free Trade Association, EFTA.*
*(**) According to the rates published in the ESRB website as at 31 December 2017. Rates above the caps during the transitional period are those recognised by the HCSF.*

# Appendix 5: Capital requirements of significant subsidiaries

The following tables give the capital requirements of significant subsidiaries (see paragraph *Significant subsidiaries* in section 5.2 *Scope of application*) by type of risk, as contribution to the Group's total capital requirement.

## BNP PARIBAS FORTIS

| *In millions of euros* | | RWAs | | Capital requirements |
|---|---|---|---|---|
| | | 31 December 2017 | 31 December 2016 | 31 December 2017 |
| **1** | **Credit risk** | **127,596** | **130,549** | **10,208** |
| 2 | Of which standardised approach | 62,608 | 63,466 | 5,009 |
| 4 | Of which advanced IRB approach | 54,434 | 56,180 | 4,355 |
| 5 | Of which equity positions under the simple risk-weighted approach | 10,554 | 10,903 | 844 |
| **6** | **Counterparty credit risk** | **1,757** | **2,004** | **141** |
| 7 | Of which mark-to-market | 285 | 331 | 23 |
| 10 | Of which internal model method (IMM) | 1,308 | 1,504 | 105 |
| 11 | Of which CCP – default fund contributions | 64 | 53 | 5 |
| 12 | Of which CVA | 99 | 115 | 8 |
| **14** | **Securitisation exposures in the banking book** | **405** | **1,238** | **32** |
| 15 | Of which IRB approach (IRB) | 339 | 1,170 | 27 |
| 16 | Of which IRB supervisory formula approach (SFA) | 0 | 0 | 0 |
| 17 | Of which internal assessment approach (IAA) | 66 | 68 | 5 |
| 18 | Of which standardised approach | 0 | 0 | 0 |
| **19** | **Market risk** | **329** | **489** | **26** |
| 20 | Of which standardised approach | 329 | 489 | 26 |
| **23** | **Operational risk** | **13,883** | **13,311** | **1,111** |
| 24 | Of which basic indicator approach | 2,727 | 3,910 | 218 |
| 25 | Of which standardised approach | 2,507 | 1,501 | 201 |
| 26 | Of which Advanced Measurement Approach (AMA) | 8,649 | 7,900 | 692 |
| **27** | **Amounts below the thresholds for deduction (subject to 250% risk weight)** | **4,675** | **5,858** | **374** |
| **29** | **TOTAL** | **148,645** | **153,448** | **11,892** |

## BNL

| *In millions of euros* | | RWAs | | Capital requirements |
|---|---|---|---|---|
| | | 31 December 2017 | 31 December 2016 | 31 December 2017 |
| 1 | Credit risk | 44,614 | 37,435 | 3,569 |
| 2 | Of which standardised approach | 6,359 | 6,085 | 509 |
| 4 | Of which advanced IRB approach | 36,726 | 30,027 | 2,938 |
| 5 | Of which equity positions under the simple risk-weighted approach | 1,528 | 1,324 | 122 |
| 6 | Counterparty credit risk | 318 | 420 | 25 |
| 7 | Of which mark-to-market | 269 | 358 | 21 |
| 12 | Of which CVA | 49 | 62 | 4 |
| 14 | Securitisation exposures in the banking book | 81 | 128 | 6 |
| 15 | Of which IRB approach (IRB) | 0 | 10 | 0 |
| 18 | Of which standardised approach | 81 | 117 | 6 |
| 19 | Market risk | 0 | 0 | 0 |
| 20 | Of which standardised approach | 0 | 0 | 0 |
| 23 | Operational risk | 4,536 | 4,535 | 363 |
| 24 | Of which basic indicator approach | 62 | 56 | 5 |
| 25 | Of which standardised approach | 88 | 100 | 7 |
| 26 | Of which Advanced Measurement Approach (AMA) | 4,387 | 4,379 | 351 |
| 27 | Amounts below the thresholds for deduction (subject to 250% risk weight) | 9 | 10 | 1 |
| 29 | TOTAL | 49,558 | 42,528 | 3,965 |

## BANCWEST

| *In millions of euros* | | RWAs | | Capital requirements |
|---|---|---|---|---|
| | | 31 December 2017 | 31 December 2016 | 31 December 2017 |
| **1** | **Credit risk** | **49,794** | **57,341** | **3,984** |
| 2 | Of which standardised approach | 49,758 | 57,295 | 3,981 |
| 4 | Of which advanced IRB approach | 0 | 0 | 0 |
| 5 | Of which equity positions under the simple risk-weighted approach | 35 | 46 | 3 |
| **6** | **Counterparty credit risk** | **179** | **279** | **14** |
| 7 | Of which mark-to-market | 169 | 264 | 14 |
| 12 | Of which CVA | 10 | 15 | 1 |
| **14** | **Securitisation exposures in the banking book** | **6** | **2** | **0** |
| 18 | Of which standardised approach | 6 | 2 | 0 |
| **19** | **Market risk** | **9** | **0** | **1** |
| 20 | Of which standardised approach | 9 | 0 | 1 |
| **23** | **Operational risk** | **4,376** | **3,919** | **350** |
| 24 | Of which basic indicator approach | 11 | 0 | 1 |
| 25 | Of which standardised approach | 4,365 | 3,919 | 349 |
| **27** | **Amounts below the thresholds for deduction (subject to 250% risk weight)** | **448** | **118** | **36** |
| **29** | **TOTAL** | **54,813** | **61,660** | **4,385** |

## BNP PARIBAS PERSONAL FINANCE

| *In millions of euros* | | RWAs | | Capital requirements |
|---|---|---|---|---|
| | | 31 December 2017 | 31 December 2016 | 31 December 2017 |
| 1 | Credit risk | 56,277 | 45,809 | 4,502 |
| 2 | Of which standardised approach | 43,602 | 34,069 | 3,488 |
| 4 | Of which advanced IRB approach | 12,533 | 11,574 | 1,003 |
| 5 | Of which equity positions under the simple risk-weighted approach | 142 | 167 | 11 |
| 6 | Counterparty credit risk | 12 | 44 | 1 |
| 7 | Of which mark-to-market | 3 | 6 | - |
| 12 | Of which CVA | 8 | 38 | 1 |
| 14 | Securitisation exposures in the banking book | 62 | 0 | 5 |
| 15 | Of which IRB approach (IRB) | 0 | 0 | 0 |
| 16 | Of which IRB supervisory formula approach (SFA) | 0 | 0 | 0 |
| 18 | Of which standardised approach | 62 | 0 | 5 |
| 19 | Market risk | 103 | 0 | 8 |
| 20 | Of which standardised approach | 103 | 0 | 8 |
| 23 | Operational risk | 5,217 | 4,909 | 417 |
| 24 | Of which basic indicator approach | 1,015 | 551 | 81 |
| 25 | Of which standardised approach | 868 | 868 | 69 |
| 26 | Of which Advanced Measurement Approach (AMA) | 3,334 | 3,490 | 267 |
| 27 | Amounts below the thresholds for deduction (subject to 250% risk weight) | 2,133 | 1,985 | 171 |
| 29 | **TOTAL** | **63,804** | **52,747** | **5,104** |

## BGL BNP PARIBAS

| *In millions of euros* | | RWAs | | Capital requirements |
|---|---|---|---|---|
| | | 31 December 2017 | 31 December 2016 | 31 December 2017 |
| **1** | **Credit risk** | **21,614** | **20,861** | **1,729** |
| 2 | Of which standardised approach | 14,992 | 14,545 | 1,199 |
| 4 | Of which advanced IRB approach | 5,779 | 5,502 | 462 |
| 5 | Of which equity positions under the simple risk-weighted approach | 843 | 815 | 67 |
| **6** | **Counterparty credit risk** | **42** | **52** | **3** |
| 7 | Of which mark-to-market | 39 | 48 | 3 |
| 12 | Of which CVA | 3 | 5 | 0 |
| **14** | **Securitisation exposures in the banking book** | **7** | **48** | **1** |
| 15 | Of which IRB approach (IRB) | 7 | 48 | 1 |
| 18 | Of which standardised approach | 0 | 0 | 0 |
| **19** | **Market risk** | **33** | **28** | **3** |
| 20 | Of which standardised approach | 33 | 28 | 3 |
| **23** | **Operational risk** | **1,625** | **1,496** | **130** |
| 24 | Of which basic indicator approach | 64 | 26 | 5 |
| 25 | Of which standardised approach | 193 | 187 | 15 |
| 26 | Of which Advanced Measurement Approach (AMA) | 1,368 | 1,284 | 109 |
| **27** | **Amounts below the thresholds for deduction (subject to 250% risk weight)** | **198** | **358** | **16** |
| **29** | **TOTAL** | **23,520** | **22,844** | **1,882** |

## TEB GROUP

| *In millions of euros* | | RWAs | | Capital requirements |
|---|---|---|---|---|
| | | 31 December 2017 | 31 December 2016 | 31 December 2017 |
| **1** | **Credit risk** | **15,400** | **17,045** | **1,232** |
| 2 | Of which standardised approach | 15,276 | 16,867 | 1,222 |
| 4 | Of which advanced IRB approach | 82 | 140 | 7 |
| 5 | Of which equity positions under the simple risk-weighted approach | 43 | 38 | 3 |
| **6** | **Counterparty credit risk** | **197** | **249** | **16** |
| 7 | Of which mark-to-market | 121 | 163 | 10 |
| 12 | Of which CVA | 76 | 85 | 6 |
| **19** | **Market risk** | **123** | **271** | **10** |
| 20 | Of which standardised approach | 123 | 271 | 10 |
| **23** | **Operational risk** | **1,870** | **1,970** | **150** |
| 24 | Of which basic indicator approach | 1,870 | 1,970 | 150 |
| **27** | **Amounts below the thresholds for deduction (subject to 250% risk weight)** | **154** | **109** | **12** |
| **29** | **TOTAL** | **17,744** | **19,643** | **1,420** |

# Appendix 6: List of tables and figures

# Appendix 7: Acronyms

| Acronyms | |
|---|---|
| ABCP | Asset-Backed Commercial Paper |
| ABS | Asset-Backed Securities |
| ACPR | Autorité de contrôle prudentiel et de résolution |
| ALCo | Asset and Liability Committee |
| ALM | Asset and Liability Management |
| AMA | Advanced Measurement Approach |
| BP | Basis points |
| BNB | Banque Nationale de Belgique |
| BRRD | Bank Recovery and Resolution Directive |
| CCF | Credit Conversion Factor |
| CDO | Collaterised Debt Obligations |
| CDS | Credit Default Swap |
| CEBS | Committee of European Banking Supervisors |

| Acronyms | |
|---|---|
| CLO | Collaterised Loan Obligations |
| CMBS | Commercial Mortgage Backed Securities |
| CRD | Capital Requirement Directive |
| CRM | Comprehensive Risk Measure |
| CRR | Capital Requirement Regulation |
| CVA | Credit Valuation Adjustment |
| D-SIBs | Domestic Systemically Important Banks |
| EAD | Exposure at Default |
| EBA | European Banking Authority |
| ECB | European Central Bank |
| EDTF | Enhanced Disclosure Task Force |
| EEPE | Effective Expected Positive Exposure |
| EL | Expected Loss |

| Acronyms | |
|---|---|
| FBF | Fédération Bancaire Française |
| FSB | Financial Stability Board |
| G-SIBs | Global Systemically Important Banks |
| GDP | Gross Domestic Product |
| GRR | Global Recovery Rate |
| HCSF | Haut Conseil de Stabilité Financière |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| IRBA | Internal Rating Based Approach |
| IRC | Incremental Risk Charge |
| ISDA | International Swaps and Derivatives Association |
| LGD | Loss Given Default |

| Acronyms | |
|---|---|
| KYC | Know Your Customer |
| MTN | Medium Term Note |
| NPV | Net Present Value |
| P&C | Property & Casualty |
| PD | Probability of Default |
| PVA | Prudent Valuation Adjustment |
| RMBS | Residential Mortgage-Backed Securities |
| RW | Risk Weight |
| SFT | Securities Financing Transactions |
| SME | Small and Medium Enterprises |
| SREP | Supervisory REview Process |
| TLTRO | Targeted Long Term Refinancing Operation |
| GRR | Global Recovery Rate |
| VaR | Value at Risk |

# 6 INFORMATION ON THE PARENT COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2017

# 6.1 BNP Paribas SA financial statements

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

| *In million of euros* | Notes | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|---|
| Interest income | 2.a | 16,375 | 13,842 |
| Interest expense | 2.a | (11,468) | (8,731) |
| Income on equities and other variable instruments | 2.b | 1,751 | 9,515 |
| Commission income | 2.c | 5,333 | 4,860 |
| Commission expense | 2.c | (991) | (986) |
| Gains or losses on trading account securities | 2.d | 3,438 | 3,155 |
| Gains or losses on securities available for sale | 2.e | 717 | 881 |
| Other banking income | | 94 | 205 |
| Other banking expenses | | (259) | (82) |
| **REVENUES** | | **14,990** | **22,659** |
| Salaries and employee benefit expenses | 5.a | (6,341) | (6,441) |
| Other administrative expenses | | (4,651) | (4,276) |
| Depreciation, amortisation and impairment on tangible, and intangible assets | | (729) | (613) |
| **GROSS OPERATING INCOME** | | **3,269** | **11,329** |
| Cost of risk | 2.f | (325) | (577) |
| **OPERATING INCOME** | | **2,944** | **10,752** |
| Net gains or losses on disposals of long-term investments | 2.g | (128) | (1,258) |
| Additions to or write-backs from regulated provisions | | (4) | 50 |
| **INCOME BEFORE TAX** | | **2,812** | **9,544** |
| Corporate income tax | 2.h | 345 | (278) |
| **NET INCOME** | | **3,157** | **9,266** |

# BALANCE SHEET AT 31 DECEMBER 2017

| *In millions of euros, at* | Notes | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| ASSETS | | | |
| Cash and amounts due from central banks | | 155,690 | 109,811 |
| Treasury bills and money-market instruments | 3.c | 123,154 | 143,352 |
| Due from credit institutions | 3.a | 222,066 | 217,726 |
| Customer items | 3.b | 434,014 | 415,693 |
| Bonds and other fixed-income securities | 3.c | 87,413 | 93,648 |
| Equities and other variable-income securities | 3.c | 1,344 | 1,752 |
| Investments in subsidiaries and equity securities held for long-term investment | 3.c | 3,719 | 4,311 |
| Investments in affiliates | 3.c | 62,738 | 64,922 |
| Leasing receivables | | - | 25 |
| Intangible assets | 3.j | 2,548 | 2,798 |
| Tangible assets | 3.j | 2,508 | 2,506 |
| Treasury shares | 3.d | 43 | 41 |
| Other assets | 3.h | 146,781 | 178,068 |
| Accrued income | 3.i | 71,253 | 81,590 |
| **TOTAL ASSETS** | | **1,313,271** | **1,316,243** |
| LIABILITIES | | | |
| Due to central banks | | 1,086 | 542 |
| Due to credit institutions | 3.a | 230,687 | 224,537 |
| Customer items | 3.b | 547,097 | 498,962 |
| Debt securities | 3.f | 125,829 | 132,809 |
| Other liabilities | 3.h | 246,517 | 289,314 |
| Accrued income | 3.i | 70,618 | 75,622 |
| Provisions | 3.k | 2,191 | 3,030 |
| Subordinated debt | 3.l | 21,431 | 23,493 |
| **TOTAL LIABILITIES** | | **1,245,456** | **1,248,309** |
| SHAREHOLDERS' EQUITY | 6.b | | |
| Share capital | | 2,498 | 2,494 |
| Additional paid-in capital | | 23,175 | 23,090 |
| Reserves and Retained earnings | | 38,985 | 33,084 |
| Net income | | 3,157 | 9,266 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **67,815** | **67,934** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **1,313,271** | **1,316,243** |

| Off-balance sheet | Notes | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| COMMITMENTS GIVEN | | | |
| Financing commitments | 4.a | 257,400 | 241,718 |
| Guarantee commitments | 4.b | 125,134 | 109,537 |
| Commitments given on securities | | 14,666 | 13,886 |
| COMMITMENTS RECEIVED | | | |
| Financing commitments | 4.a | 115,683 | 130,651 |
| Guarantee commitments | 4.b | 207,416 | 226,646 |
| Commitments received on securities | | 19,366 | 11,253 |

# Notes to the parent company financial statements

## Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY BNP PARIBAS SA

*BNP Paribas SA's financial statements have been prepared in accordance with the accounting principles applied to credit institutions in France, set out in ANC (French Accounting Standards Authority) regulation 2014-07 of 26 November 2014 and in ANC regulation 2015-06 amending ANC regulation 2014-03 relative to the French General Accounting Plan.*

### AMOUNTS DUE FROM CREDIT INSTITUTIONS AND CUSTOMERS

Amounts due from credit institutions include all subordinated and unsubordinated loans made in connection with banking transactions with credit institutions, with the exception of debt securities. They also include assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between demand loans and deposits, and term loans and time deposits.

Amounts due from customers include loans to customers other than credit institutions, with the exception of loans represented by debt securities issued by customers, assets purchased under resale agreements, whatever the type of assets concerned, and receivables corresponding to securities sold under collateralised repurchase agreements. They are broken down between commercial loans, customer debit accounts, and other loans.

Amounts due from credit institutions and customers are recorded in the balance sheet at nominal value plus accrued interest not yet due.

Outstanding loans and confirmed credit facilities are broken down into sound loans, including sound restructured loans, and doubtful loans. The same analysis is performed for credit risks attached to forward financial instruments whose present value represents an asset for the Group.

Credit risks are monitored using BNP Paribas SA's internal credit risk rating system. This system is based on two key parameters: the probability of default by the counterparty, expressed as a rating, and the overall recovery rate determined by reference to the type of transaction. There are twelve counterparty ratings: ten covering sound loans and two covering doubtful loans and loans classified as irrecoverable.

Doubtful loans are defined as loans where the Bank considers that there is a risk that the borrowers will be unable to honour all or part of their commitments. Loans on which one or more instalments are more than three months overdue as well as loans for which legal procedures have been initiated are considered doubtful. When a loan is classified as doubtful, all other loans and commitments to the debtor are automatically assigned the same classification.

The Bank recognises an impairment for doubtful accounts on these loans, in an amount corresponding to the difference between the total loan value and current value of the future cash flows (from principal, interest, and any realised guarantees) that are deemed recoverable, using a discount rate equal to the original effective interest rate (for fixed-rate loans), or the most recent contractual interest rate (for floating-rate loans). The guarantees considered here include mortgages and pledges on assets, as well as credit derivatives acquired by the Bank as a protection against credit losses in the loan book.

If a loan is restructured because the borrower is facing financial difficulties, the Bank calculates a discount equal to the difference in present value between the old and new repayment terms. These discounts are recognised as a deduction to assets and reversed through income on an actuarial basis over the remaining term of the loan. If any instalments on a restructured loan are not paid, the loan is permanently reclassified as irrecoverable regardless of the terms of the restructuring.

In the case of doubtful loans where the borrower has resumed making regular payments in accordance with the original repayment schedule, the loan is reclassified as sound. Similarly, doubtful loans that have been restructured are also reclassified as sound, provided that the restructuring terms are satisfied.

Irrecoverable loans include loans to borrowers whose credit standing is such that after a reasonable time classified as doubtful loans, no reclassification as a sound loan is foreseeable, loans where an event of default has occurred, almost all restructured loans where the borrower has once again defaulted, and loans classified as doubtful for more than one year that are in default and are not secured by guarantees covering a substantial portion of the amount due.

Impairments for credit risks on assets are deducted from the carrying amount of the assets. Provisions recorded under liabilities include provisions related to off-balance sheet commitments, loss provisions relating to interests in real-estate development programmes, provisions for claims and litigation, and provisions for unforeseeable industry risks.

Additions to and recoveries of provisions and impairment, losses on irrecoverable loans, recoveries on loans covered by provisions and discounts calculated on restructured loans are recorded in the profit and loss account under "Cost of risk".

The interest received from the repayment of the carrying amount of loans that have been written-down, as well as the reversals of discounting effects and the discount on restructured loans, are recognised under "Interest income".

## REGULATED SAVINGS AND LOAN CONTRACTS

Home savings accounts (*Comptes Épargne Logement*, or CELs) and home savings plans (*Plans d'Épargne Logement*, or PELs) are government regulated retail products sold in France. They combine an inseparable savings phase and a loan phase with the loan phase contingent upon the savings phase.

These products contain two types of obligations for BNP Paribas SA: an obligation to pay interest on the savings for an indefinite period at a rate set by the government on inception of the contract (in the case of PEL products) or at a rate reset every semester using an indexation formula set by law (in the case of CEL products); and an obligation to lend to the customer (at the customer's option) an amount contingent upon the rights acquired during the savings phase at a rate set on inception of the contract (in the case of PEL products) or at a rate contingent upon the savings phase (in the case of CEL products).

BNP Paribas SA's future obligations with respect to each generation (in the case of PEL products, a generation comprises all products with the same interest rate at inception; in the case of CEL products, all such products constitute a single generation) are measured by discounting potential future earnings from at-risk outstandings for that generation.

At-risk outstandings are estimated on the basis of a historical analysis of customer behaviour, and equate to statistically probable outstanding loans and the difference between statistically probable outstandings and minimum expected outstandings, with minimum expected outstandings being deemed equivalent to unconditional term deposits.

Earnings for future periods from the savings phase are estimated as the difference between the reinvestment rate and the fixed savings interest rate on at-risk savings outstanding for the period in question. Earnings for future periods from the loan phase are estimated as the difference between the refinancing rate and the fixed loan interest rate on at-risk outstanding loans for the period in question.

The reinvestment rate for savings and the refinancing rate for loans are derived from the swap yield curve and from the spreads expected on financial instruments of similar type and maturity. Spreads are determined on the basis of actual spreads on fixed rate home loans in the case of the loan phase and on products offered to retail clients in the case of the savings phase.

In order to reflect the uncertainty of future interest-rate trends, and the impact of such trends on customer behaviour models and on at risk outstandings, the obligations are estimated using the Monte-Carlo method.

When the sum of BNP Paribas SA's estimated future obligations with respect to the savings and loan phases of any generation of contracts indicates a potentially unfavourable situation for BNP Paribas SA, a provision is recognised, with no offset between generations, in the balance sheet under "Provisions". Movements in this provision are recognised as interest income in the profit and loss account.

## SECURITIES

The term "Securities" covers interbank market securities, Treasury bills and negotiable certificates of deposit, bonds and other "fixed-income" securities (whether fixed- or floating-rate) and equities and other variable-income securities.

Securities are classified as: "Trading account securities", "Securities available for sale", "Equity securities available for sale in the medium term", "Debt securities held to maturity", "Equity securities held for long-term investment", or "Investments in subsidiaries and affiliates".

When a credit risk has occurred, fixed-income securities held in the "Available for sale" or "Held to maturity" portfolio are classified as doubtful, based on the same criteria as those applied to doubtful loans and commitments.

When securities exposed to counterparty risk are classified as doubtful and the related provision can be separately identified, the corresponding charge is included in "Cost of risk".

### Trading account securities

"Trading account securities" are securities bought or sold with the intention of selling them or repurchasing them in the near future, as well as those held as a result of market-making activities. These securities are valued individually at market value if they meet the following criteria:

- they can be traded on an active market (i.e. a market where third parties have continuous access to market prices through a securities exchange, brokers, traders, or market-makers);
- the market prices reflect actual, regularly-occurring transactions taking place under normal competition conditions.

"Trading account securities" also include securities bought or sold for specific asset-management objectives (especially in terms of sensitivity) for trading books comprised of forward financial instruments, securities, or other financial instruments taken globally.

Changes in the market value of these securities are recognised in income. "Trading account securities" cannot be reclassified into another category and must follow the valuation rules for this category until they are sold, fully redeemed, or recognised as a loss and consequently removed from the balance sheet.

In the case of exceptional circumstances necessitating a change in investment strategy, "Trading account securities" can be reclassified as "Securities available for sale" or "Debt securities held to maturity" depending on the new strategy.

If fixed-income securities classified as "Trading account securities" can no longer be traded on an active market, and if the Bank has the intention and ability to hold these securities for the foreseeable future or until maturity, they can be reclassified as "Securities available for sale" or "Debt securities held to maturity".

The accounting rules for the new category would apply to reclassified securities as of the reclassification date.

If the market in which securities classified as "Trading account securities" were purchased can no longer be considered active, the securities will be valued using methods that take into account the new market conditions.

## Securities available for sale

The "Securities available for sale" category includes securities not classified into one of the other categories.

Bonds and other fixed-income securities are valued at the lower of cost (excluding accrued interest) or probable market prices. This is generally determined on the basis of stock market prices. Accrued interest is posted to the profit and loss account under "Interest income on bonds and other fixed-income securities".

For fixed-income securities available for sale that have been purchased on the secondary market, any difference between cost and redemption price is recognised in income using the actuarial method over the remaining life of the securities. On the balance sheet, their carrying amount is amortised to their redemption value over their remaining life.

Equities are valued at the lower of cost or probable market prices. This is generally determined on the basis of stock market prices for listed equities, or BNP Paribas SA's share in net equity, calculated on the basis of the most recent financial statements available, for unlisted equities. Dividends received are recognised in income under "Income on equities and other variable income instruments" on a cash basis.

The cost of securities available for sale that have been sold is determined on a first in, first out (FIFO) basis. Disposal gains or losses, and additions to and reversals of lower of cost and market provisions are reflected in the profit and loss account under "Gains (losses) on securities available for sale".

In the case of exceptional circumstances necessitating a change in investment strategy, or if the securities can no longer be traded on an active market, securities classified as "Securities available for sale" may be reclassified as "Debt securities held to maturity" and must be identified within this portfolio. These securities would then be recognised according to the method used for "Debt securities held to maturity".

## Equity securities available for sale in the medium term

Equity securities available for sale in the medium term comprise investments made for portfolio management purposes, with the aim of realising a profit in the medium term without investing on a long-term basis in the development of the issuer's business. This category includes venture capital investments.

Equity securities available for sale in the medium term are recorded individually at the lower of cost and fair value. Fair value takes into account the issuer's general business outlook and the planned holding period. The fair value of listed shares is determined by reference to the average stock market price determined over a one-month period.

## Debt securities held to maturity

Fixed-income securities with a specified maturity (mainly bonds, interbank market securities, Treasury bills, and other negotiable debt securities) are recorded under "Debt securities held to maturity" to reflect BNP Paribas SA's intention of holding them to maturity.

Bonds classified under this heading are financed by matching funds or hedged against interest-rate exposure for their remaining lives.

The difference between cost and the redemption price of these securities is recognised in income using the actuarial method. On the balance sheet, their carrying amount is amortised to their redemption value over their remaining life.

Interest on debt securities held to maturity is recorded in the profit and loss account under "Interest income on bonds and other fixed-income securities".

An impairment is recognised when a decline in the credit standing of an issuer jeopardises redemption at maturity.

If a significant portion of the "Debt securities held to maturity" is sold or reclassified into a different category, the sold or reclassified securities cannot be returned to the "Debt securities held to maturity" category at any time during the current financial period or the following two financial years. All the securities classified as "Debt securities held to maturity" would then be reclassified as "Securities available for sale in the medium term".

If exceptional market circumstances necessitate a change in investment strategy, and "Trading account securities" and "Securities available for sale" are reclassified as "Debt securities held to maturity", the sale of any "Debt securities held to maturity" prior to the maturity date would not invoke the reclassification clauses in the above paragraph if the sale occurred because the securities had once again become tradable on an active market.

## Equity securities held for long-term investment, investments in subsidiaries and affiliates

Equity interests include investments in subsidiaries and affiliates in which BNP Paribas SA exercises significant influence over management and investments considered strategic to BNP Paribas SA's business development. This influence is deemed to exist when BNP Paribas SA holds an ownership interest of at least 10%.

Equity securities held for long-term investment are shares and related instruments that BNP Paribas SA intends to hold on a long-term basis in order to earn a satisfactory long-term rate of return without taking an active part in the management of the issuing company, but with the intention of promoting the development of lasting business relationships by creating special ties with the issuer.

Other investments in affiliates consist of shares and other variable income investments in companies over which BNP Paribas SA has exclusive control (i.e. companies likely to be fully consolidated into the Group).

These types of securities are recorded individually at the lower of cost and fair value. Fair value is determined on the basis of available information using a multi-criteria valuation approach, including discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities. The fair value of listed securities is considered to be at least equal to cost if the stock market price at period-end is no more than 20% below cost and the stock market price has not been below cost for the preceding 12 consecutive months. If these conditions are not met, and if a multi-criteria valuation shows that impairment should be recognised on the carrying amount, the fair value is considered to be equal to the stock market price. The same holds true if the stock market price is less than cost for 24 consecutive months, the closing stock market price is less than 50% of cost, or the average price over a 12 months period is more than 30% lower than cost. For simplicity, listed securities acquired for less than EUR 10 million may be valued on the basis of the average closing stock market price in the month prior to closing.

Disposals, gains and losses and provision movements are recorded in the profit and loss account under "Net gain (loss) on disposals of fixed assets".

Dividends are recognised when they have been declared by the issuers'shareholders or if the shareholders'decision is unknown, when they are received. They are recorded under "Income on equities and other variable instruments."

### Treasury shares

Treasury shares held by BNP Paribas SA are classified and valued as follows:

- treasury shares held, purchased under a market-making agreement or acquired in connection with index arbitrage transactions are recorded under "Trading account securities" at market price;
- treasury shares held for allocation to employees are recorded under "Securities available for sale". Shares granted to employees of BNP Paribas SA subsidiaries are charged to the subsidiaries according to the provisions of local law;
- treasury shares held for allocation to employees are not impaired, but a provision is recognised for these shares based on the services provided by the employees who will receive the shares;
- treasury shares that are intended to be cancelled or that are not being held for either of the above reasons is included in long-term investments. Treasury shares intended to be cancelled are stated at cost. All others are stated at the lower of cost and fair value.

## FIXED ASSETS

Buildings and equipment are stated at acquisition cost or at the adjusted value determined in accordance with France's finance laws of 1977 and 1978. Revaluation differences on non-depreciable assets, recorded at the time of these statutory revaluations, are included in share capital.

Fixed 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.

Software developed internally by BNP Paribas SA that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and staff costs directly attributable to the project.

Subsequent to initial recognition, fixed assets are measured at cost less accumulated depreciation or amortisation and any impairment losses.

Fixed assets are depreciated or amortised using the straight-line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under "Depreciation, amortisation, and provisions on property, plant and equipment and intangible assets".

The portion of recognised depreciation or amortisation that exceeds the economic amount, mainly calculated on a straight-line basis, is recorded in the balance sheet as a liability under "Regulatory provisions: accelerated depreciation and amortisation". BNP Paribas SA does not calculate the deferred tax effects of accelerated depreciation and amortisation.

When an asset consists of a number of components that may require replacement at regular intervals or that have different uses or different patterns of consumption of economic benefits, each component is recognised separately and depreciated using a method appropriate to that component. BNP Paribas SA has adopted the component-based approach for property used in operations.

The depreciation periods used for office property are as follows: 80 years or 60 years for the shell (for prime and other property respectively); 30 years for facades; 20 years for general and technical installations; and 10 years for fixtures and fittings.

Depending on its type, software is amortised over a period of no more than eight years in relation to infrastructure developments and three years or five years in the case of software developed primarily for the purpose of providing services to customers.

Depreciable fixed assets are tested for impairment if there is an indication of potential impairment at the balance sheet date. Non-depreciable assets are tested for impairment annually.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be materially impaired, an impairment loss is recognised in the profit and loss account. This impairment loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment, with the exception of goodwill and residual merger premium (see below) allocated to goodwill. Impairment losses are taken into account in the profit and loss account under "Depreciation, amortisation, and provisions on property, plant and equipment and intangible assets".

- Goodwill is now presumed to have an unlimited period of use. It is therefore non-amortisable, without any required justification. However, this is a refutable presumption, meaning that if there is a limited period for use, the goodwill must be amortised over its actual or fixed period of use (ten years) if it is not possible to reliably assess this period. In addition, if goodwill is not amortised, it must now be tested for impairment annually regardless of whether there is any indication of impairment.
- The merger premium is allocated to the various assets contributed as a result of mergers and similar transactions up to the limit of identified unrealised gains. The amount is allocated in the dedicated sub-accounts of the assets concerned, according to the amortisation, depreciation and provisioning rules for these assets.

- After allocation to the different underlying assets (see above), the net balance of the residual merger premium is carried to goodwill.

Gains and losses on disposals of property, plant and equipment, and intangible assets used in operations are recognised in the profit and loss account under "Net gain (loss) on disposals of fixed assets".

## DUE TO CREDIT INSTITUTIONS AND DUE TO CUSTOMERS

Amounts due to credit institutions and customers are classified by their initial term or their type: demand accounts and time deposits for credit institutions, and regulated savings accounts and other deposits for customers. These sections include securities and other assets sold under repurchase agreements depending on the type of counterparty. Accrued interest is recorded on a separate line.

## DEBT SECURITIES

Debt securities are broken down between certificates of deposit, interbank market securities, negotiable debt securities, bonds and other debt instruments. This section does not include subordinated notes which are recorded under subordinated debt.

Accrued interest on debt securities is recorded on a separate line of the balance sheet and is debited to the profit and loss account.

Bond issue and redemption premiums are amortised using the yield-to-maturity method over the life of the bonds. Bond issuance costs are amortised using the straight-line method over the life of the bonds.

## PROVISIONS FOR INTERNATIONAL COMMITMENTS

Provisions for international commitments are based on the evaluation of non-transfer risk related to the future solvency of each of the countries at risk and on the systemic credit risk incurred by debtors in the event of a constant and durable deterioration in the overall situation and economies of these countries. Additions and reversals of these provisions are reflected in the profit and loss account under "Cost of risk".

## PROVISIONS FOR NON-BANKING TRANSACTIONS

BNP Paribas SA records provisions for clearly identified contingencies and charges whose timing or amount is uncertain. In accordance with current regulations, these provisions for items not related to banking transactions may be recorded only if the Bank has an obligation to a third party at year-end, there is a high probability of an outflow of resources to the third party, and no equivalent economic benefits are expected in return from the third party.

## COST OF RISK

The "Cost of risk" line item includes expenses arising from the identification of counterparty and credit risks, litigation, and fraud inherent to banking transactions conducted with third parties. Net movements in provisions that do not fall under the category of such risks are classified in the profit and loss account according to their type.

## FORWARD FINANCIAL INSTRUMENTS

Forward financial instruments are purchased on various markets for use as specific or general hedges of assets and liabilities, or for transaction purposes.

The Bank's commitments related to these instruments are recognised off-balance sheet at nominal value. The accounting treatment of these instruments depends on the corresponding investment strategy.

### Derivatives held for hedging purposes

Income and expenses related to forward financial instruments held for hedging purposes and designated to one instrument or a group of homogeneous instruments are recognised in income symmetrically with the income and expenses on the underlying instrument, and under the same heading.

Income and expenses related to forward financial instruments used to hedge overall interest rate risk are recognised in income on a prorata basis.

### Derivatives held for trading purposes

Derivatives held for trading purposes can be traded on organised markets or over-the-counter.

Derivatives held within a trading book are valued at market value on the balance sheet date. The corresponding gains and losses (realised and unrealised) are recognised in income. They are recognised in income under "Gains (losses) on trading account securities".

The market value is determined from either:

- the listed price, if one is available;
- a valuation method using recognised financial models and theories with parameters calculated from transaction prices observed on active markets, or from statistical or other quantitative methods.

In both cases, BNP Paribas SA makes conservative value adjustments to account for modelling, counterparty, and liquidity risks.

Some complex derivatives, which are typically custom-made from combined instruments and highly illiquid, are valued using models where certain parameters are not observable on an active market.

Until 31 December 2004, the Bank recognised gains from trading these complex derivatives immediately in income.

However, on 1 January 2005, the Bank began recognising these gains in income over the period during which the valuation parameters are expected to be unobservable. When parameters that were originally non-observable become observable, or when the valuation can be substantiated in comparison with recent similar transactions in an active market, the unrecognised portion of the profit is recognised in income.

### Other derivatives transactions

Depending on the nature of the instruments, gains and losses on over-the-counter contracts representing isolated open positions are recognised in income when the contracts are settled or on a prorata basis. A provision for unrealised losses is recognised for each group of homogeneous contracts.

## CORPORATE INCOME TAX

A charge for corporate income tax is taken in the period in which the related taxable income and expenses are booked, regardless of the period in which the tax is actually paid. When the period in which the income and expenses are booked differs from that in which the income is taxed and expenses deducted, BNP Paribas SA recognises deferred tax, whose amount is calculated according to the liability method, with the basis taken to be all temporary differences between the book value and tax basis of balance sheet items, and applying applicable future tax rates once these have been approved. Deferred tax assets are recognised in accordance with the likelihood of their being recovered.

## EMPLOYEE PROFIT-SHARING

As required by French law, BNP Paribas SA recognises employee profit-sharing in the year in which the employee entitlement arises. The amount is reported under "Salaries and employee benefit expenses" in the profit and loss account.

## EMPLOYEE BENEFITS

BNP Paribas SA employees receive each of the following four types of benefits:

- termination benefits, payable primarily in the case of early termination of an employment contract;
- short-term benefits, such as salary, annual leave, incentive plans, profit-sharing and additional payments;
- long-term benefits, including compensated leaves of absence, long-service awards, and other types of cash-based deferred remuneration;
- post-employment benefits, including top-up banking industry pensions in France and pension plans in other countries, some of which are operated through pension funds.

### Termination benefits

Termination benefits are employee benefits payable as a result of a decision by BNP Paribas SA to terminate a contract of employment before the legal retirement age or by an employee to accept voluntary redundancy in exchange for a benefit. Termination benefits due more than 12 months after the closing date are discounted.

### Short-term benefits

BNP Paribas SA recognises an expense when it has used services rendered by employees in exchange for employee benefits.

### Long-term benefits

Long-term benefits are benefits (other than post-employment benefits and termination benefits) which do not fall wholly due within 12 months after the end of the period in which the employee renders the associated services. The actuarial techniques used are similar to those used for defined benefit post-employment benefits, except that actuarial gains and losses are recognised immediately, as are the effects of any plan amendments.

This relates in particular to cash remuneration deferred for more than 12 months, which is accrued in the financial statements for the period during which the employee provides the corresponding services. If the payment of deferred share-based variable remuneration is explicitly subject to the employee's continued employment at the vesting date, the services are presumed to have been rendered during the vesting period and the corresponding compensation expense is recognised on a pro rata basis over that period. The expense is recognised under salary and employee benefits expenses with a corresponding liability in the balance sheet. It is revised to take account of any non-fulfilment of the continued presence or performance conditions, and changes in the BNP Paribas share price, for deferred remuneration indexed to the share.

If there is no continued presence condition, the expense is not deferred but recognised immediately with a corresponding liability in the balance sheet, which is then revised on each reporting date until settlement, to account for any performance conditions and changes in the BNP Paribas share price.

### Post-employment benefits

The post-employment benefits provided to BNP Paribas SA employees in France include both defined-contribution plans and defined-benefit plans.

Defined contribution plans, such as *Caisse Nationale d'Assurance Vieillesse* and supplemental national and trade union plans that pay pensions to former BNP Paribas SA employees in France, do not give rise to an obligation for BNP Paribas SA and consequently do not require a provision. The amount of employer's contributions payable during the period is recognised as an expense.

Only defined benefit plans, such as the retirement packages paid for by BNP Paribas SA's retirement fund, give rise to an obligation for BNP Paribas SA. This obligation must be measured and recognised as a liability by means of a provision.

The classification of plans into these two categories is based on the economic substance of the plan, which is reviewed to determine whether BNP Paribas SA has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefit obligations under defined benefit plans are measured using actuarial techniques that take into account demographic and financial assumptions. The amount of the obligation recognised as a liability is measured on the basis of the actuarial assumptions applied by the Group, using the projected unit credit method. This method takes into account various parameters, tailored to the country in question, such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate. The value of any plan assets is deducted from the amount of the obligation. When the value of the plan assets exceeds the amount of the obligation, an asset is only recognised if it represents a future economic benefit in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The amount of the obligation under a plan, and the value of the plan assets, may show significant fluctuations from one period to the next due to changes in actuarial assumptions, thereby giving rise to actuarial gains and losses. Actuarial gains and losses and the effect of limits on assets are recognised immediately in profit or loss. Expected gains from investments are calculated at the discount rate of the corresponding commitments.

### RECOGNITION OF REVENUE AND EXPENSES

Interest and fees and commissions qualified as interest are recognised on an accrual basis. These include the commissions charged by the Bank as part of an overall loan package (i.e., application fees, commitment fees, participation fees, etc.). The marginal transaction costs that the Bank must pay when granting or acquiring loans are also spread out over the effective life of the corresponding loan.

Fees and commissions not qualified as interest that relate to the provision of services are recognised when the service is performed or, for ongoing services, on a prorata basis over the length of the service agreement.

### FOREIGN CURRENCY TRANSACTIONS

Foreign exchange positions are generally valued at the official year-end exchange rate. Exchange gains and losses on transactions in foreign currency carried out in the normal course of business are recognised in the profit and loss account.

Exchange differences arising from the conversion of assets held on a long-term basis, including equity securities held for long-term investment, the capital made available to branches, and other foreign equity investments denominated in foreign currencies and financed in euros, are recognised as translation adjustments for the balance sheet line items recording the assets.

Exchange differences arising from the conversion of assets held on a long-term basis, including equity securities held for long-term investment, the capital made available to branches, and other foreign equity investments, denominated and financed in foreign currencies, are recognised symmetrically as translation differences for the corresponding financing.

### TRANSLATION OF FINANCIAL STATEMENTS EXPRESSED IN FOREIGN CURRENCIES

Monetary and non-monetary foreign currency-denominated assets and liabilities of foreign branches are translated into euros at the year-end exchange rate. Translation adjustments regarding the capital made available to BNP Paribas SA branches outside of France are included in "Accrued income" and "Accrued expenses".



## Note 2 NOTES TO THE 2017 PROFIT AND LOSS ACCOUNT

### 2.a NET INTEREST INCOME

BNP Paribas SA includes in "Interest income" and "Interest expense" all income and expenses from financial instruments measured at amortised cost according to the effective interest rate method (interest, commission and expenses) and from financial instruments measured at fair value that do not meet the definition of a derivative instrument. The change in fair value on financial instruments at fair value through profit or loss (excluding accrued interest) is recognised under "Gains (losses) on trading account securities".

Interest income and expense on derivatives accounted for as fair value hedges are included with the revenues generated by the hedged item.

| *In millions of euros* | Year to 31 Dec. 2017 | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|
| | Income | Expenses | Income | Expenses |
| **Credit institutions** | **3,860** | **(3,069)** | **2,885** | **(2,652)** |
| Demand accounts, loans and borrowings | 2,723 | (2,153) | 2,349 | (2,031) |
| Securities given/received under repurchase agreements | 1,003 | (916) | 427 | (621) |
| Subordinated loans | 134 | | 109 | |
| **Customers** | **8,905** | **(4,653)** | **7,503** | **(2,450)** |
| Demand accounts, loans, and term accounts | 6,867 | (2,556) | 6,886 | (2,027) |
| Securities given/received under repurchase agreements | 2,027 | (2,097) | 606 | (423) |
| Subordinated loans | 11 | | 11 | |
| **Debt securities** | **34** | **(3,746)** | **149** | **(3,629)** |
| **Bonds and other fixed-income securities** | **3,397** | | **3,073** | |
| Trading account securities | 75 | | 172 | |
| Securities available for sale | 3,275 | | 2,870 | |
| Debt securities held to maturity | 47 | | 31 | |
| **Macro-hedging instruments** | **179** | | **232** | |
| **INTEREST INCOME AND EXPENSES** | **16,375** | **(11,468)** | **13,842** | **(8,731)** |

## 2.b INCOME ON EQUITIES AND OTHER VARIABLE INSTRUMENTS

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Securities available for sale | 53 | 108 |
| Investments in subsidiaries and equity securities held for long-term investment | 186 | 256 |
| Investments in affiliates | 1,512 | 9,151 |
| **INCOME ON EQUITIES AND OTHER VARIABLE INSTRUMENTS** | **1,751** | **9,515** |



## 2.c COMMISSIONS

| *In millions of euros* | Year to 31 Dec. 2017 | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|
| | Income | Expense | Income | Expenses |
| **Commissions on banking and financing transactions** | **2,043** | **(478)** | **1,906** | **(589)** |
| Customer items | 1,312 | (86) | 1,334 | (102) |
| Others | 731 | (392) | 572 | (487) |
| **Commissions on financial services** | **3,290** | **(513)** | **2,954** | **(397)** |
| **COMMISSION INCOME AND EXPENSES** | **5,333** | **(991)** | **4,860** | **(986)** |

## 2.d GAINS OR LOSSES ON TRADING ACCOUNT SECURITIES

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Fixed-income instruments and transactions in trading account securities | 3,511 | 419 |
| Currency instruments | 760 | 2,023 |
| Credit instruments | (966) | 489 |
| Other variable income financial instruments and transactions in trading account securities | 133 | 224 |
| **NET GAINS ON TRADING ACCOUNT SECURITIES** | **3,438** | **3,155** |

## 2.e GAINS OR LOSSES ON SECURITIES AVAILABLE FOR SALE

| | Year to 31 Dec. 2017 | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|
| *In millions of euros* | Income | Expenses | Income | Expenses |
| Divestments | 780 | (121) | 826 | (57) |
| Provisions | 112 | (54) | 174 | (62) |
| **TOTAL** | **892** | **(175)** | **1,000** | **(119)** |
| **NET GAINS ON SECURITIES AVAILABLE FOR SALE** | **717** | | **881** | |

## 2.f COST OF RISK AND PROVISION FOR CREDIT RISKS

Cost of risk represents the net amount of impairment losses recognised with respect to credit risks inherent to BNP Paribas SA's banking intermediation activities, plus any impairment losses in the case of known counterparty risk on over-the-counter instruments.

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Net additions to or write-backs from provisions** | **(203)** | **(537)** |
| Customer items and credit institutions | (302) | (594) |
| Off-balance sheet commitment | 107 | 13 |
| Securities | 6 | 37 |
| Doubtful loans | (19) | 13 |
| Financial instruments for market activities | 5 | (6) |
| **Irrecoverable loans not covered by provisions** | **(258)** | **(108)** |
| **Recoveries of loans written-off** | **136** | **68** |
| **COST OF RISK** | **(325)** | **(577)** |

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Balance at 1 January** | **7,780** | **7,476** |
| Net additions to or write-backs from provisions | 203 | 537 |
| Write-offs during the period covered by provisions | (1,061) | (539) |
| Effect of movements in exchange rates and other | (233) | 306 |
| **PROVISIONS FOR CREDIT RISKS** | **6,689** | **7,780** |

The provisions break down as follows:

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| **Provisions deducted from assets** | **6,141** | **7,124** |
| For amounts due from credit institutions *(note 3.a)* | 118 | 126 |
| For amounts due from customers *(note 3.b)* | 5,736 | 6,667 |
| For securities | 251 | 289 |
| For financial instruments for market activities | 36 | 42 |
| **Provisions recognised as liabilities *(note 3.k)*** | **548** | **656** |
| For off-balance sheet commitments | 486 | 610 |
| For doubtful loans | 62 | 46 |
| **PROVISIONS FOR CREDIT RISKS** | **6,689** | **7,780** |

## 2.g GAINS OR LOSSES ON DISPOSALS OF LONG-TERM INVESTMENTS

| *In millions of euros* | Year to 31 Dec. 2017 | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|
| | Income | Expense | Income | Expenses |
| **Investments in subsidiaries and equity securities held for long-term investment** | **224** | **(166)** | **669** | **(89)** |
| Divestments | 180 | (43) | 517 | (19) |
| Provisions | 44 | (123) | 152 | (70) |
| **Investments in affiliates** | **438** | **(664)** | **986** | **(2,830)** |
| Divestments | 41 | (153) | 24 | (1,569) |
| Provisions | 397 | (511) | 962 | (1,261) |
| **Operating assets** | **41** | **(1)** | **9** | **(3)** |
| **TOTAL** | **703** | **(831)** | **1,664** | **(2,922)** |
| **NET GAINS OR LOSSES ON DISPOSALS OF LONG-TERM INVESTMENTS** | | **(128)** | | **(1,258)** |

## 2.h CORPORATE INCOME TAX

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Current tax expense | 238 | (225) |
| Deferred tax expense | 107 | (53) |
| **CORPORATE INCOME TAX** | **345** | **(278)** |

The basic tax consolidation agreements between BNP Paribas SA and the subsidiaries belonging to its tax group are designed to be tax neutral for every party. Each Group subsidiary recognises in its own books, over the full term of its consolidation, corporate income tax income or expense, additional contributions and all current or future taxes covered by the scope of tax consolidation just as they would if they were not part of a tax group. BNP Paribas SA, as the parent company, records the impact of Group tax savings from tax consolidation in France in current tax expense.

# Note 3 NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2017

## 3.a AMOUNTS DUE FROM AND DUE TO CREDIT INSTITUTIONS

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Loans and advances** | **148,895** | **150,258** |
| Demand accounts | 7,196 | 5,206 |
| Term accounts and loans | 135,632 | 139,369 |
| Subordinated loans | 6,067 | 5,683 |
| **Securities received under repurchase agreements** | **73,289** | **67,594** |
| **LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS BEFORE IMPAIRMENT** | **222,184** | **217,852** |
| *of which accrued interest* | *534* | *586* |
| *of which irrecoverable loans* | *16* | *13* |
| *of which potentially recoverable doubtful loans* | *25* | *51* |
| **Impairment on receivables due from credit institutions** ***(note 2.f)*** | **(118)** | **(126)** |
| **LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS NET OF IMPAIRMENT** | **222,066** | **217,726** |

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Deposits and borrowings** | **169,017** | **157,314** |
| Demand deposits | 11,266 | 15,558 |
| Term accounts and borrowings | 157,751 | 141,756 |
| **Securities given under repurchase agreements** | **61,670** | **67,223** |
| **DUE TO CREDIT INSTITUTIONS** | **230,687** | **224,537** |
| *of which accrued interest* | *433* | *556* |

## 3.b CUSTOMER ITEMS

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Loans and advances** | **323,367** | **306,286** |
| Commercial and industrial loans | 2,430 | 2,620 |
| Demand accounts | 19,282 | 11,701 |
| Short-term loans | 73,019 | 70,052 |
| Mortgages | 75,055 | 66,827 |
| Equipment loans | 47,382 | 47,361 |
| Export loans | 9,307 | 8,963 |
| Other customer loans | 95,527 | 97,418 |
| Subordinated loans | 1,365 | 1,344 |
| **Securities received under repurchase agreements** | **116,383** | **116,074** |
| **CUSTOMER ITEMS BEFORE IMPAIRMENT - ASSETS** | **439,750** | **422,360** |
| *of which accrued interest* | *918* | *1,056* |
| *of which loans eligible for refinancing by the Banque de France* | *78* | *58* |
| *of which potentially recoverable doubtful loans and receivables* | *3,647* | *4,026* |
| *of which irrecoverable loans and receivables* | *5,083* | *5,832* |
| **Impairment on receivables due from customers** ***(note 2.f)*** | **(5,736)** | **(6,667)** |
| **CUSTOMER ITEMS NET OF IMPAIRMENT - ASSETS** | **434,014** | **415,693** |

The following table gives the loans and receivables net of impairment due from customers by counterparty:

| *In millions of euros, at* | 31 December 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Sound loans | Doubtful loans net of provisions | | Total | Sound loans | Doubtful loans net of provisions | | Total |
| | | Potentially recoverable | Irrecoverable | | | Potentially recoverable | Irrecoverable | |
| Financial institutions | 64,235 | 324 | 44 | 64,603 | 68,973 | 82 | 2 | 69,057 |
| Corporate | 164,253 | 1,401 | 1,465 | 167,119 | 152,916 | 1,630 | 1,706 | 156,252 |
| Entrepreneurs | 8,679 | 54 | 159 | 8,892 | 7,895 | 55 | 173 | 8,123 |
| Individuals | 70,107 | 201 | 582 | 70,890 | 58,355 | 221 | 663 | 59,239 |
| Other non-financial customers | 6,080 | 21 | 26 | 6,127 | 6,925 | 21 | 2 | 6,948 |
| **TOTAL LOANS AND RECEIVABLES, NET OF IMPAIRMENT** | **313,354** | **2,001** | **2,276** | **317,631** | **295,064** | **2,009** | **2,546** | **299,619** |

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Deposits** | **401,173** | **378,525** |
| Demand deposits | 178,054 | 142,334 |
| Term deposits | 153,561 | 167,018 |
| Regulated savings accounts | 69,558 | 69,173 |
| *of which demand regulated savings accounts* | *52,102* | *52,102* |
| **Securities given under repurchase agreements** | **145,924** | **120,437** |
| **CUSTOMER ITEMS - LIABILITIES** | **547,097** | **498,962** |
| *of which accrued interest* | *874* | *1,030* |

## 3.c SECURITIES HELD BY BNP PARIBAS SA

| *In millions of euros, at* | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | Net Carrying amount | Market value | Net Carrying amount | Market value |
| Transaction | 83,902 | 83,902 | 92,342 | 92,342 |
| Securities available for sale | 38,898 | 43,511 | 50,660 | 53,218 |
| *of which provisions* | *(4)* | | *(34)* | |
| Debt securities held to maturity | 354 | 354 | 350 | 350 |
| **TREASURY BILLS AND MONEY-MARKET INSTRUMENTS** | **123,154** | **127,767** | **143,352** | **145,910** |
| *of which receivables corresponding to loaned securities* | *27,291* | | *44,246* | |
| *of which goodwill* | *2,687* | | *3,711* | |
| Transaction | 38,665 | 38,665 | 36,435 | 36,435 |
| Securities available for sale | 48,295 | 50,980 | 56,314 | 57,993 |
| *of which provisions* | *(174)* | | *(252)* | |
| Debt securities held to maturity | 453 | 473 | 899 | 1,003 |
| *of which provisions* | *(12)* | | *(22)* | |
| **BONDS AND OTHER FIXED-INCOME SECURITIES** | **87,413** | **90,118** | **93,648** | **95,431** |
| *of which unlisted securities* | *13,247* | *13,885* | *11,805* | *12,310* |
| *of which accrued interest* | *890* | | *876* | |
| *of which receivables corresponding to loaned securities* | *6,144* | | *11,554* | |
| *of which goodwill* | *260* | | *315* | |
| Transaction | 687 | 687 | 743 | 743 |
| Securities available for sale and equity securities available for sale in the medium term | 657 | 930 | 1,009 | 1,453 |
| *of which provisions* | *(332)* | | *(312)* | |
| **EQUITIES AND OTHER VARIABLE-INCOME SECURITIES** | **1,344** | **1,617** | **1,752** | **2,196** |
| *of which unlisted securities* | *615* | *902* | *756* | *1,082* |
| *of which receivables corresponding to loaned securities* | *483* | | *354* | |
| Associated companies | 3,175 | 4,956 | 3,688 | 5,357 |
| *of which provisions* | *(161)* | | *(190)* | |
| Equity securities held for long-term investment | 544 | 562 | 623 | 637 |
| *of which provisions* | *(193)* | | *(111)* | |
| **INVESTMENTS IN SUBSIDIARIES AND EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT** | **3,719** | **5,518** | **4,311** | **5,994** |
| *of which unlisted securities* | *2,133* | *2,825* | *2,160* | *2,740* |
| Investments in affiliates | 62,738 | 96,671 | 64,922 | 92,248 |
| *of which provisions* | *(7,249)* | | *(7,067)* | |
| **INVESTMENTS IN AFFILIATES** | **62,738** | **96,671** | **64,922** | **92,248** |

Equity investments in credit institutions and investments in affiliates held by BNP Paribas totalled EUR 1,562 million and EUR 30,651 million, respectively at 31 December 2017, compared with EUR 1,910 million and EUR 30,591 million, respectively, at 31 December 2016.

## 3.d TREASURY SHARES

| *In millions of euros, at* | 31 December 2017 | | 31 December 2016 |
|---|---|---|---|
| | Gross value amount | Net carrying amount | Net carrying amount |
| Transaction | 5 | 5 | 3 |
| Securities available for sale | 6 | 6 | 6 |
| Investment in subsidiaries | 32 | 32 | 32 |
| **TREASURY SHARES** | **43** | **43** | **41** |

The fifth resolution of the Shareholders'Combined General Meeting of 23 May 2017, which replaced the fifth resolution of the Shareholders'Combined General Meeting of 26 May 2016, authorised BNP Paribas SA to buy back shares representing up to 10% of the Bank's issued capital at a maximum purchase price of EUR 73 per share (EUR 62 previously). The shares could be acquired for the following purposes: for subsequent cancellation in accordance with conditions set by the Shareholders'Combined General Meeting of 23 May 2017, to fulfil the Bank's obligations relative to the issue of shares or share equivalents, for stock option plans, for share awards, or for granting or selling shares to employees under an employee profit-sharing plan, employee share ownership plan or Corporate Savings Plan and to cover any type of share award to the employees of BNP Paribas SA and companies controlled exclusively by BNP Paribas SA within the meaning of article L.233-16 of the French Commercial Code; to be held in treasury for subsequent remittance in exchange or payment for acquisitions, mergers, spin-offs or asset transfers; within the scope of a market-making agreement compliant with the Code of Ethics recognised by the AMF; or for asset and financial management purposes.

This authorisation was granted for a period of 18 months.

At 31 December 2017, BNP Paribas SA held 603,827 treasury shares classified as "Equity securities held for long-term investment" and intended to be cancelled.

BNP Paribas SA also held 123,415 treasury shares classified as "Securities available for sale" and intended to be used for share awards to Group employees, granted or sold as part of an employee profit-sharing plan, employee share ownership plan, or Company Savings Plan.

Under the Bank's market-making agreement with Exane BNP Paribas relating to BNP Paribas shares in the Italian market, in compliance with the Code of Ethics recognised by the French Securities Regulator (AMF), BNP Paribas SA held 80,500 BNP Paribas shares classified as "Trading" account securities at 31 December 2017.

## 3.e LONG-TERM INVESTMENTS

| *In millions of euros* | Gross values | | | | | Provisions | | | | | Carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 Jan. 2017 | Purchases | Disposals and redemptions | Transfers and other movements | 31 Dec. 2017 | 1 Jan. 2017 | Additions | Write-backs | Other movements | 31 Dec. 2017 | 31 Dec. 2017 | 31 Dec. 2016 |
| Debt securities held to maturity *(note 3.c)* | 1,271 | 59 | (490) | (21) | 819 | 22 | | (10) | | 12 | 807 | 1,249 |
| Investments in subsidiaries and equity securities held for long-term investment *(notes 3.c)* | 4,612 | 46 | (556) | (29) | 4,073 | 301 | 88 | (34) | (1) | 354 | 3,719 | 4,311 |
| Investments in affiliates *(note 3.c)* | 71,989 | 959 | (618) | (2,343) | 69,987 | 7,067 | 543 | (357) | (4) | 7,249 | 62,738 | 64,922 |
| *of which merger premium on investments in affiliates(1)* | *4,256* | | | *2* | *4,258* | *3,268* | | | | *3,268* | *990* | *988* |
| Treasury shares *(note 3.d)* | 32 | | | | 32 | | | | | | 32 | 32 |
| **LONG-TERM INVESTMENTS** | **77,904** | **1,064** | **(1,664)** | **(2,393)** | **74,911** | **7,390** | **631** | **(401)** | **(5)** | **7,615** | **67,296** | **70,514** |

*(1) The merger premium associated with investments in affiliates and their previously established impairment losses were reclassified at 1 January 2016 to long-term investments, in accordance with ANC regulation 2015-06. This reclassification relates mainly to the allocation of the merger premium of BNL Spa for EUR 4,227 million in gross values and EUR 976 million net of previous impairment losses.*

Under CRC Regulation 2008-17 dated 10 December 2008, financial instruments initially held for trading or available for sale can be reclassified as securities held to maturity.

These reclassifications are summarised in the table below:

| *In millions of euros, at* | Reclassification date | Amount on the reclassification date | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|---|---|
| | | | Carrying value | Market or model value | Carrying value | Market or model value |
| **Financial assets reclassified out of the trading portfolio** | | **7,164** | **236** | **286** | **607** | **671** |
| To debt securities held to maturity | 1 October 2008 | 4,404 | 236 | 286 | 371 | 430 |
| To debt securities held to maturity | 30 June 2009 | 2,760 | 0 | 0 | 236 | 241 |

Without these reclassifications, BNP Paribas SA's 2017 net income would have included a gain of EUR 19 million rather than the EUR 13 million actually recorded (2016 figures: EUR 25 million and EUR 31 million, respectively).

## 3.f DEBT SECURITIES

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Negotiable debt securities | 109,817 | 128,396 |
| Bond issues *(note 3.g)* | 3,059 | 3,228 |
| Other debt securities | 12,953 | 1,185 |
| **DEBT SECURITIES** | **125,829** | **132,809** |
| *of which unamortised issuance premiums* | *647* | *707* |

## 3.g BOND ISSUES

Maturities of bonds issued by BNP Paribas SA, according to contractual maturity:

| *In millions of euros* | Outstanding at 31/12/2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 to 2027 | After 2027 |
|---|---|---|---|---|---|---|---|---|
| Bond issues | 3,059 | 942 | 358 | 564 | 368 | 48 | 587 | 192 |

| *In millions of euros* | Outstanding at 31/12/2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 to 2026 | After 2026 |
|---|---|---|---|---|---|---|---|---|
| Bond issues | 3,228 | 511 | 978 | 369 | 583 | 396 | 220 | 171 |

## 3.h OTHER ASSETS AND LIABILITIES

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Options purchased | 92,139 | 118,880 |
| Settlement accounts related to securities transactions | 3,598 | 3,374 |
| Deferred tax-assets | 978 | 942 |
| Miscellaneous assets | 50,066 | 54,872 |
| **OTHER ASSETS** | **146,781** | **178,068** |
| Options sold | 87,761 | 113,983 |
| Settlement accounts related to securities transactions | 2,916 | 2,784 |
| Liabilities related to securities transactions | 114,661 | 123,330 |
| Deferred tax-liabilities | 25 | 26 |
| Miscellaneous liabilities | 41,154 | 49,191 |
| **OTHER LIABILITIES** | **246,517** | **289,314** |

Under "Miscellaneous liabilities", the trade payables of BNP Paribas in Metropolitan France amount to EUR 26.4 million at 31 December 2017 and break down as follows, pursuant to Article D441-4 of the French Commercial Code.

| Invoices ***received*** and outstanding at the year-end | | | | | | |
|---|---|---|---|---|---|---|
| | 0 days (indicative) | 1 to 30 days | 31 to 60 days | 61 to 90 days | 90 days | Total (1 day and more) |
| Total invoices concerned, including taxes (In millions of euros) | 3.7 | 0.9 | 12.1 | 2.3 | 7.3 | 22.7 |
| Percent of total purchases for the year, including taxes | 0.09% | 0.02% | 0.30% | 0.06% | 0.18% | 0.56% |
| Number of invoices concerned | 351 | | | | | 5,544 |

*The payment terms used are the statutory terms.*

Please refer to note 6.e on the Schedule of sources and uses of funds for information on the remaining terms of amounts due to and from customers of BNP Paribas SA.



## 3.i ACCRUED INCOME

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Remeasurement of currency instruments and derivatives | 49,901 | 63,180 |
| Accrued income | 9,927 | 8,923 |
| Collection accounts | 362 | 192 |
| Other accrued income | 11,063 | 9,295 |
| **ACCRUED INCOME** | **71,253** | **81,590** |
| Remeasurement of currency instruments and derivatives | 42,854 | 52,252 |
| Accrued expenses | 14,783 | 12,421 |
| Collection accounts | 425 | 314 |
| Other accrued expenses | 12,556 | 10,635 |
| **ACCRUED EXPENSES** | **70,618** | **75,622** |

## 3.j OPERATING ASSETS

| *In millions of euros, at* | 31 December 2017 | | | 31 December 2016 |
|---|---|---|---|---|
| | Gross value | Depreciation, amortisation and impairment | Net amount | Net amount |
| Software | 2,898 | (2,251) | 647 | 734 |
| Other intangible assets[(1)] | 2,127 | (226) | 1,901 | 2,064 |
| **INTANGIBLE ASSETS** | **5,025** | **(2,477)** | **2,548** | **2,798** |
| Land and buildings | 2,927 | (1,028) | 1,899 | 1,931 |
| Equipment, furniture and fixtures | 1,786 | (1,423) | 363 | 378 |
| Other fixed assets | 132 | - | 132 | 73 |
| Tangible assets - Merger premium[(1)] | 134 | (20) | 114 | 124 |
| **TANGIBLE ASSETS** | **4,979** | **(2,471)** | **2,508** | **2,506** |

(1) *In accordance with the ANC regulation 2015-06, merger premiums included in "Other intangible assets" in 2016 were allocated on 1 January 2016 to the various identifiable underlying assets. An additional amortisation allowance of EUR 66 million on goodwill was recorded for 2017.*

## 3.k PROVISIONS

| *In millions of euros, at* | 31 December 2016 | Additions | Reversals | Other movements | 31 December 2017 |
|---|---|---|---|---|---|
| Provision for employee benefit obligations | 523 | 112 | (297) | (6) | 332 |
| Provisions for credit risks *(note 2.f)* | 46 | 22 | (3) | (3) | 62 |
| Provisions for commitments given *(note 2.f)* | 610 | 24 | (135) | (13) | 486 |
| Other provisions | | | | | |
| ■ for banking transactions | 745 | 357 | (728) | (35) | 339 |
| ■ for non-banking transactions | 1,106 | 174 | (293) | (15) | 972 |
| **PROVISIONS** | **3,030** | **689** | **(1,456)** | **(72)** | **2,191** |

### ➤ PROVISIONS FOR RISKS ON REGULATED SAVINGS PRODUCTS

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Deposits collected under home savings accounts and plans** | **17,957** | **17,745** |
| of which for home savings plans | 15,800 | 15,518 |
| ■ *Aged more than 10 years* | *6,115* | *3,203* |
| ■ *Aged between 4 and 10 years* | *4,057* | *5,592* |
| ■ *Aged less than 4 years* | *5,628* | *6,723* |
| **Outstanding loans granted under home savings accounts and plans** | **74** | **112** |
| of which for home savings plans | 13 | 19 |
| **Provisions for home savings accounts and plans** | **156** | **174** |
| of which discount on home savings accounts and plans | 1 | 2 |
| of which provisions for home savings accounts and plans | 155 | 172 |
| ■ *of which provisions for plans aged more than 10 years* | *88* | *78* |
| ■ *of which provisions for plans aged between 4 and 10 years* | *24* | *36* |
| ■ *of which provisions for plans aged less than 4 years* | *41* | *57* |
| ■ *of which provisions for home savings accounts* | *2* | *1* |

## ➤ CHANGE IN PROVISIONS FOR REGULATED SAVINGS PRODUCTS

| *In millions of euros* | Year to 31 Dec. 2017 | | Year to 31 Dec. 2016 | |
|---|---|---|---|---|
| | Provisions for home savings plans | Provisions for home savings accounts | Provisions for home savings plans | Provisions for home savings accounts |
| **Provisions at start of period** | **171** | **3** | **166** | **6** |
| Additions to provisions during the period | - | - | 5 | - |
| Provision write-backs during the period | (18) | - | - | (3) |
| **Provisions at end of period** | **153** | **3** | **171** | **3** |

## 3.l SUBORDINATED DEBT

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Redeemable subordinated debt** | **12,331** | **13,397** |
| **Undated subordinated debt** | **8,781** | **9,752** |
| Undated Super Subordinated notes | 8,074 | 9,013 |
| Undated Floating-Rate Subordinated notes | 482 | 514 |
| Undated Participating Subordinated notes | 225 | 225 |
| **Related debt** | **319** | **344** |
| **SUBORDINATED DEBT** | **21,431** | **23,493** |

### Redeemable subordinated debt

The redeemable subordinated debt issued by BNP Paribas SA is in the form of medium and long-term debt securities equivalent to ordinary subordinated debt; these issues are redeemable prior to the contractual maturity date in the event of liquidation of the issuer, and rank after the other creditors but before holders of participating loans and participating subordinated notes.

These debt issues may contain a call provision authorising the Group to redeem the securities prior to maturity by repurchasing them in the stock market, via a public tender or exchange offers, or (in the case of private placements) over the counter, subject to regulatory approval.

Debt issued by BNP Paribas SA via placements in the international markets may be subject to early redemption of the capital and early payment of interest due at maturity at the issuer's discretion on or after a date stipulated in the issue particulars (call option), or in the event that changes in the applicable tax rules oblige the BNP Paribas Group issuer to compensate debt-holders for the consequences of such changes. Redemption may be subject to a notice period of between 15 and 60 days and is subject to approval by the banking supervisory authorities.

In 2016, six subordinated notes were redeemed under a call option, in accordance with the date specified in the issue notice. These transactions resulted in the reduction in outstanding redeemable subordinated debt of EUR 306 million. In addition, 12 subordinated notes were issued totalling EUR 3,808 million.

In 2017, four subordinated notes were redeemed early under a call option, in accordance with the date specified in the issue notice. These transactions resulted in the reduction in outstanding redeemable subordinated debt of EUR 1,963 million. In addition, four subordinated notes were issued in 2017 totalling EUR 1,268 million.

The following table gives the maturity schedule for redeemable subordinated debt as of 31 December 2017:

| *In millions of euros* | Outstanding at 31/12/2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 to 2027 | After 2027 |
|---|---|---|---|---|---|---|---|---|
| Redeemable subordinated debt | 12,331 | 85 | - | 5 | - | 339 | 11,227 | 675 |

The following table gives the maturity schedule for redeemable subordinated debt as of 31 December 2016:

| *In millions of euros* | Outstanding at 31/12/2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 to 2026 | After 2026 |
|---|---|---|---|---|---|---|---|---|
| Redeemable subordinated debt | 13,397 | 1,963 | 85 | - | 5 | - | 8,953 | 2,391 |

## Undated subordinated debt

### Undated Super Subordinated notes

BNP Paribas SA issued Undated Super Subordinated notes representing a total amount of EUR 8,074 million at 31 December 2017. The notes pay a fixed- or floating-rate coupon and are redeemable at the end of a fixed period and thereafter at each coupon date or every five years. If the notes are not redeemed at the end of this period, some of these issues will pay a coupon indexed to Euribor, Libor or a swap rate.

On 30 March 2016, BNP Paribas SA issued Undated Super Subordinated notes in the amount of USD 1,500 million. This issue pays a fixed-rate coupon of 7,625%. The notes are redeemable after five years. The issue will pay a coupon indexed to the USD five-year swap rate every semester if the notes are not redeemed in 2021.

On 12 and 19 April 2016, BNP Paribas redeemed the April 2006 issues for a total of EUR 549 million and GBP 450 million, respectively, on their first calls date. These issues paid a fixed-rate coupon of 4.73% and 5,945%, respectively.

On 13 July 2016, BNP Paribas redeemed the July 2006 issue, for a total of GBP 163 million on its first call date. This issue paid a fixed-rate coupon of 5,954%.

On 14 December 2016, BNP Paribas SA issued Undated Super Subordinated notes in the amount of USD 750 million. This issue pays a fixed-rate coupon of 6.75%. The notes are redeemable after five years and three months. If the notes are note redeemed in 2022, a five years dollar swap rate coupon will be paid half-yearly.

On 13 April 2017, BNP Paribas SA redeemed the April 2007 issue for a total amount of EUR 638 million at the first call date. This issue paid a fixed-rate coupon of 5,019%.

On 23 October 2017, BNP Paribas redeemed the October 2007 issue, for a total of GBP 200 million on its first call date. This issue paid a fixed-rate coupon of 7,436%.

On 15 December 2017, BNP Paribas SA issued Undated Super Subordinated notes in the amount of USD 750 million. This issue pays a fixed-rate coupon of 5,125%. The notes are redeemable after five years. If the notes are note redeemed in 2022, a five years dollar swap rate coupon will be paid half-yearly.

The table below summarises the characteristics of these various issues:

| Issue date | Currency | Amount in original currency *(in millions)* | Coupon frequency | Rate and term before first call date | | Rate after first call date | 31 Dec. 2017 | 31 Dec. 2016 |
|---|---|---|---|---|---|---|---|---|
| October 2005 | EUR | 1,000 | Yearly | 4,875% | 6 years | 4,875% | 1,000 | 1,000 |
| October 2005 | USD | 400 | Yearly | 6.25% | 6 years | 6,250% | 333 | 380 |
| July 2006 | EUR | 150 | Yearly | 5.45% | 20 years | 3-month Euribor +1.920% | 150 | 150 |
| April 2007 | EUR | 638 | Yearly | 5,019% | 10 years | 3-month Euribor +1.720% | 0 | 638 |
| June 2007 | USD | 600 | Quarterly | 6.5% | 5 years | 6.5% | 500 | 570 |
| June 2007 | USD | 1,100 | Half-Yearly | 7,195% | 30 years | USD 3-month Libor +1.290% | 916 | 1,044 |
| October 2007 | GBP | 200 | Yearly | 7,436% | 10 years | GBP 3-month Libor +1.850% | 0 | 234 |
| June 2008 | EUR | 500 | Yearly | 7,781% | 10 years | 3-month Euribor +3.750% | 500 | 500 |
| September 2008 | EUR | 100 | Yearly | 7.57% | 10 years | 3-month Euribor +3.925% | 100 | 100 |
| December 2009 | EUR | 2 | Quarterly | 3-month Euribor +3.750% | 10 years | 3-month Euribor +4.750% | 2 | 2 |
| December 2009 | EUR | 17 | Yearly | 7,028% | 10 years | 3-month Euribor +4.750% | 17 | 17 |
| December 2009 | USD | 70 | Quarterly | USD 3-month Libor +3.750% | 10 years | USD 3-month Libor +4.750% | 59 | 67 |
| December 2009 | USD | 0.5 | Yearly | 7,384% | 10 years | USD 3-month Libor +4.750% | 1 | 1 |
| June 2015 | EUR | 750 | Half-Yearly | 6,125% | 7 years | EUR 5-year swap +5.230% | 750 | 750 |
| August 2015 | USD | 1,500 | Half-Yearly | 7,375% | 10 years | USD 5-year swap +5.150% | 1,249 | 1,424 |
| March 2016 | USD | 1,500 | Half-Yearly | 7,625% | 5 years | USD 5-year swap +6.314% | 1,249 | 1,424 |
| December 2016 | USD | 750 | Half-Yearly | 6,750% | 5.25 years | USD 5-year swap +4.916% | 624 | 712 |
| November 2017 | USD | 750 | Half-Yearly | 5,125% | 5 years | USD 5-year swap +2.838% | 624 | 0 |
| **UNDATED SUPER SUBORDINATED NOTES** | | | | | | | **8,074** | **9,013** |

BNP Paribas has the option of not paying interest due on these Undated Super Subordinated notes. Unpaid interest is not carried forward.

For notes issued before 2015, this non-payment is subject to the absence of any payment on BNP Paribas SA ordinary shares or on Undated Super Subordinated note equivalents in the previous year. This interest must be paid when dividends are paid on BNP Paribas SA's ordinary shares.

The contracts relating to these Undated Super Subordinated notes include a loss absorption clause. Under the terms of this clause, in the event of insufficient regulatory capital, the nominal value of the notes may be reduced in order to serve as a new basis for the calculation of the related coupons until the capital deficiency is made up, and the nominal value of the notes is restored to its original amount.

### Undated Floating-Rate Subordinated notes

The Undated Floating-Rate Subordinated notes (TSDIs) and other Undated Subordinated notes issued by BNP Paribas SA are redeemable on liquidation of the Bank after repayment of all other debts but ahead of Undated Participating Subordinated notes. They confer no rights over residual assets.

Characteristics of Undated Floating-Rate Subordinated notes:

| Issue date | Currency | Amount in original currency *(in millions)* | Interest rate | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|
| October 1985 | EUR | 305 | TMO -0.25% | 254 | 254 |
| September 1986 | USD | 500 | 6-month Libor +0.075% | 228 | 260 |
| **UNDATED FLOATING-RATE SUBORDINATED NOTES** | | | | **482** | **514** |

Payment of interest is obligatory on the TSDIs issued in October 1985 (representing a nominal amount of EUR 305 million), but the Board of Directors may postpone interest payments if the Ordinary Shareholders'General Meeting notes that there is no income available for distribution in the twelve months preceding the interest payment date. Interest is cumulative and becomes payable in full when the bank resumes dividend payments.

Payment of interest is obligatory on the TSDIs issued in September 1986 (representing a nominal amount of USD 500 million), but the Board of Directors may postpone interest payments if the Shareholders'General Meeting approves a decision not to pay a dividend in the twelve months preceding the interest payment date. Interest is cumulative and becomes payable in full when the bank resumes dividend payments. The bank may resume the payment of past interest even if dividend payments have not resumed.

### Undated Participating Subordinated notes

Undated participating subordinated notes issued by BNP Paribas SA in July 1984 in a total amount of EUR 337 million are redeemable only in the event of the liquidation of BNP Paribas SA, but may be retired on the terms specified in the French act of 3 January 1983. The number of notes outstanding was 1,434,092 at 31 December 2017.



## Note 4 FINANCING AND GUARANTEE COMMITMENTS

### 4.a FINANCING COMMITMENTS

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| **Credit institutions** | **51,607** | **43,240** |
| **Customers** | **205,793** | **198,478** |
| Confirmed letters of credit | 96,027 | 94,118 |
| Other commitments given to customers | 109,766 | 104,360 |
| **FINANCING COMMITMENTS GIVEN** | **257,400** | **241,718** |
| **Credit institutions** | **73,172** | **101,210** |
| **Customers** | **42,511** | **29,441** |
| **FINANCING COMMITMENTS RECEIVED** | **115,683** | **130,651** |

## 4.b GUARANTEE COMMITMENTS

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Credit institutions | 20,382 | 20,192 |
| Customers | 104,752 | 89,345 |
| **GUARANTEE COMMITMENTS GIVEN** | **125,134** | **109,537** |
| Credit institutions | 84,349 | 67,015 |
| Customers | 123,067 | 159,631 |
| **GUARANTEE COMMITMENTS RECEIVED** | **207,416** | **226,646** |

## 4.c FINANCIAL INSTRUMENTS GIVEN OR RECEIVED AS COLLATERAL

### ➤ FINANCIAL INSTRUMENTS GIVEN AS COLLATERAL

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Financial instruments (negotiable securities and private receivables) deposited with central banks and eligible for use at any time as collateral for refinancing transactions after haircut | 48,278 | 67,099 |
| ■ Used as collateral with central banks | 19,000 | 9,465 |
| ■ Available for refinancing transactions | 29,278 | 57,634 |
| Financial assets pledged as collateral for transactions with credit institutions, financial customers or subscribers of covered bonds issued by the Group | 60,206 | 57,181 |

At 31 December 2017, the Bank had EUR 48,278 million of financial instruments (negotiable securities and private receivables) deposited or pledged with central banks for use at any time as collateral for refinancing transactions (vs. EUR 67,099 million at 31 December 2016). This amount includes EUR 37,923 million deposited with the Banque de France (vs. EUR 46,393 million at 31 December 2016) under the Banque de France's comprehensive collateral management system to cover Eurosystem monetary policy transactions and intraday loans. At 31 December 2017 the Bank had used as collateral EUR 19,000 million of the amount deposited with central banks (vs. EUR 19,969 million at 31 December 2016).

The other assets that the Bank has pledged as collateral with credit institutions and financial customers totalled EUR 34,897 million at 31 December 2017 (vs. EUR 32,750 million at 31 December 2016), included in particular financing for BNP Paribas Home Loan SFH.



### ➤ FINANCIAL INSTRUMENTS RECEIVED AS COLLATERAL

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Financial instruments received as collateral (excluding repurchase agreements) | 28,810 | 24,134 |

# Notes 5 SALARIES AND EMPLOYEE BENEFITS

## 5.a SALARIES AND EMPLOYEE BENEFIT EXPENSES

| *In millions of euros* | Year to 31 Dec. 2017 | Year to 31 Dec. 2016 |
|---|---|---|
| Salaries | (4,343) | (4,313) |
| Tax and social security charges(1) | (1,760) | (1,855) |
| Employee profit-sharing and incentive plans | (238) | (273) |
| **TOTAL SALARIES AND EMPLOYEE BENEFIT EXPENSES** | **(6,341)** | **(6,441)** |

*(1) Including adjustments for actuarial gains and losses on post-employment benefits.*

Income stemming from the French Competitiveness and Employment Tax Credit (CICE) is deducted from salaries and employee benefit expenses. It amounted to EUR 43 million in 2017 compared to EUR 36 million in 2016. The use of the CICE is shown in Chapter 7 "A responsible bank: information on the economic, social, civic and environmental responsibility of BNP Paribas" in the Registration document.

The following table gives the breakdown of BNP Paribas SA's headcount:

| *Headcount at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Employees in Metropolitan France | 37,265 | 37,849 |
| *of which managers* | *24,703* | *24,406* |
| Employees outside Metropolitan France | 15,813 | 13,649 |
| **TOTAL BNP PARIBAS SA** | **53,078** | **51,498** |

## 5.b EMPLOYEE BENEFIT OBLIGATIONS

### Post-employment benefits under defined contribution plans

In France, BNP Paribas SA pays contributions to various nationwide basic and top-up pension plans. BNP Paribas SA has set up a funded pension plan under a company-wide agreement. Under this plan, employees will receive an annuity on retirement in addition to the pension paid by national schemes.

In the rest of the world, defined-benefit plans have been closed to new employees in most of the countries in which the Group operates (primarily the United States, Germany, the United Kingdom, Ireland, Australia and Canada). These employees are now offered defined-contribution plans. Under these plans, the Group's obligation is essentially limited to paying a percentage of the employee's annual salary into the plan.

The amount paid into defined-contribution post-employment plans in France and other countries for the year 2017 was EUR 282 million, compared with EUR 279 million for the year 2016.

### Post-employment benefits under defined benefit plans

Existing legacy defined-benefit plans within BNP Paribas SA are valued independently using actuarial techniques by applying the projected unit cost method in order to determine the expense arising from rights vested in employees and benefits payable to retired employees. The demographic and financial assumptions used to estimate the present value of these obligations and of plan assets take into account economic conditions specific to each country.

Provisions set up to cover obligations under defined benefit post-employment plans totalled EUR 189 million at 31 December 2017 (against EUR 266 million at 31 December 2016), comprised of EUR 117 million for French plans and EUR 72 million for other plans.

BNP Paribas recognised EUR 155 million of retirement plan assets (recognised surplus and reimbursement rights) at 31 December 2017 as compared to EUR 105 million at 31 December 2016.

### Pension plans and other post-employment benefits

#### Pension plans

In France, BNP Paribas SA pays a top-up banking industry pension arising from rights acquired to 31 December 1993 by retired employees at that date and active employees in service at that date. These residual pension obligations are covered by a provision in BNP Paribas SA's financial statements or transferred to an insurance company.

The defined-benefit plans previously granted to Group executives have all been closed and converted into top-up type schemes. The amounts allocated to the beneficiaries, subject to their presence within the Group at retirement, were fixed when the previous schemes were closed. These pension plans have been outsourced to insurance companies. The fair value of the related plan assets in these companies'balance sheets breaks down as 86% bonds, 6% equities and 8% property assets.

In BNP Paribas SA's foreign branches, pension plans are based either on pensions linked to the employee's final salary and length of service (United Kingdom), or on annual vesting of rights to a capital sum expressed as a percentage of annual salary and paying interest at a predefined rate (*United States*). In Hong Kong, certain staff benefit from a defined-contribution pension plan with a guaranteed minimum return for which the employer is responsible. This plan is closed to new entrants. As a result of this guaranteed return, this plan is classified as a defined benefit plan.

Some plans are managed by independent fund managers *(United Kingdom*). As of 31 December 2017, 90% of the gross obligations under these plans related to plans in the United Kingdom, United States and Hong Kong. The fair value of the related plan assets was split as follows: 25% equities, 37% bonds, and 38% other financial instruments.

#### Other post-employment benefits

BNP Paribas SA employees also receive various other contractual postemployment benefits, such as indemnities payable on retirement. BNP Paribas'obligations for these benefits in France are funded through a contract held with an insurer that is independent from BNP Paribas SA.

### Post-employment healthcare benefits

In France, BNP Paribas SA no longer has any obligation in relation to healthcare benefits for its retired employees.

Among BNP Paribas SA's foreign branches, there are several healthcare benefit plans for retired employees, mainly in the United States. Provisions for obligations under these plans amounted to EUR 15 million at 31 December 2017, compared to EUR 16 million at 31 December 2016.

Obligations under post-employment healthcare benefit plans are measured using the mortality tables applicable in each country and assumptions about trends in healthcare costs. They also build in assumptions about healthcare benefit costs, including forecast trends in the cost of healthcare services and in inflation, which are derived from historical data.

### Termination benefits

The Bank has implemented a number of voluntary redundancy plans and a headcount adaptation plan for employees who meet certain eligibility criteria. The obligations to eligible active employees under such plans are provided for when the plan is the subject of an agreement or a bilateral draft agreement.

In 2016, a three-year voluntary redundancy plan (September 2016 to September 2018) was implemented for CIB activities in France.

Provisions for these plans totalled EUR 82 million at 31 December 2017 (EUR 124 million at 31 December 2016).

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Provision for voluntary departure, early retirement plans, and headcount adaptation plans | 82 | 124 |

# Notes 6 ADDITIONAL INFORMATION

## 6.a SHARE CAPITAL TRANSACTIONS

Resolutions of Shareholders' General Meetings that can be used during the financial year are presented in chapter 2 "Corporate governance report" of the Registration document.

| Operations affecting share capital | Number shares | Par value *(in euros)* | In Euros | Date of authorisation by Shareholder's Meeting | Date of decision by Board of Directors | Date from which shares carry dividend rights |
|---|---|---|---|---|---|---|
| **NUMBER OF SHARES ISSUED AT 31 DECEMBER 2015** | **1,246,385,153** | **2** | **2,492,770,306** | | | |
| Increase in share capital by exercise of stock subscription options | 75,839 | 2 | 151,678 | (1) | (1) | 01-Jan-15 |
| Increase in share capital by exercise of stock subscription options | 606,661 | 2 | 1,213,322 | (1) | (1) | 01-Jan-16 |
| Capital reductions (by cancellation of shares) | (65,000) | 2 | (130,000) | 26-May-16 | 16-Dec-16 | |
| **NUMBER OF SHARES ISSUED AT 31 DECEMBER 2016** | **1,247,002,653** | **2** | **2,494,005,306** | | | |
| Increase in share capital by exercise of stock subscription options | 1,404,830 | 2 | 2,809,660 | (1) | (1) | 01-Jan-16 |
| Increase in share capital by exercise of stock subscription options | 451,903 | 2 | 903,806 | (1) | (1) | 01-Jan-17 |
| **NUMBER OF SHARES ISSUED AT 31 DECEMBER 2017** | **1,248,859,386** | **2** | **2,497,718,772** | | | |

*(1) Various resolutions voted in the Shareholders'General Meeting and decisions of the Board of Directors authorising the granting of stock subscription options that were exercised during the period.*



## 6.b STATEMENT OF CHANGES IN SHAREHOLDERS'EQUITY BETWEEN 31 DECEMBER 2015 AND 31 DECEMBER 2017

| *In millions of euros* | Share capital | Additional paid-in capital | Retained earnings and net income for the period | Total shareholders' equity |
|---|---|---|---|---|
| **SHAREHOLDERS'EQUITY AT 31 DECEMBER 2015** | **2,493** | **23,066** | **36,008** | **61,567** |
| Dividend payout for 2015 | | | (2,877) | (2,877) |
| Capital increases | 1 | 24 | | 25 |
| Provisions for securities held to maturity - Write-backs | | | (46) | (46) |
| Other changes | | | (1) | (1) |
| Net income for the year ended 31 December 2016 | | | 9,266 | 9,266 |
| **SHAREHOLDERS'EQUITY AT 31 DECEMBER 2016** | **2,494** | **23,090** | **42,350** | **67,934** |
| Dividend payout for 2016 | | | (3,369) | (3,369) |
| Capital increases | 4 | 85 | | 89 |
| Accelerated depreciation and amortisation - Additions | | | 4 | 4 |
| Net income for 2017 | | | 3,157 | 3,157 |
| **SHAREHOLDERS'EQUITY AT 31 DECEMBER 2017** | **2,498** | **23,175** | **42,142** | **67,815** |

## 6.c NOTIONAL AMOUNTS OF FORWARD FINANCIAL INSTRUMENTS

The notional amounts of derivative instruments are merely an indication of the volume of BNP Paribas SA's activities in financial instrument markets, and do not reflect the market risks associated with such instruments.

### Trading portfolio:

| *In millions of euros, at* | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Currency derivatives | 4,905,163 | 5,247,171 |
| Interest rate derivatives | 16,612,410 | 17,396,291 |
| Equity Derivatives | 1,203,087 | 1,338,676 |
| Credit Derivatives | 853,283 | 981,001 |
| Other derivatives | 177,276 | 145,689 |
| **FORWARD FINANCIAL INSTRUMENTS IN THE TRADING PORTFOLIO** | **23,751,221** | **25,108,828** |

Financial instruments traded on organised markets or admitted to clearing houses accounted for 45% of the Bank's derivatives transactions at 31 December 2017 (vs. 44% at 31 December 2016).

### Hedging strategy:

The total notional amount of derivatives used for hedging purposes stood at EUR 720,597 million at 31 December 2017, compared with EUR 752,271 million at 31 December 2016.

Derivatives used for hedging purposes are primarily contracted on over-the-counter markets.

### Market value

The market value of the Bank's positive net position on firm transactions was EUR 13,766 million at 31 December 2017, compared with a positive net position of EUR 15,973 million at 31 December 2016. The market value of the Bank's net short position on conditional transactions was valued at EUR 4,903 million at 31 December 2017, compared with a net long position of EUR 786 million at 31 December 2016.

## 6.d SEGMENT INFORMATION

The following table gives a regional breakdown of BNP Paribas SA's interbank transactions and customer items recognised on the balance sheet:

| | Interbank transactions | | Customer and leasing transactions | | Total by region | |
|---|---|---|---|---|---|---|
| *In millions of euros, at* | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| France | 356,574 | 294,006 | 220,662 | 244,114 | 577,236 | 538,120 |
| Other countries in the European Economic Area | 59,899 | 83,723 | 71,435 | 60,064 | 131,334 | 143,787 |
| Americas and Asia | 82,823 | 91,310 | 138,415 | 108,021 | 221,238 | 199,331 |
| Other countries | 1,614 | 1,850 | 3,502 | 3,519 | 5,116 | 5,369 |
| **TOTAL USES OF FUNDS** | **500,910** | **470,889** | **434,014** | **415,718** | **934,924** | **886,607** |
| France | 187,727 | 143,703 | 242,984 | 248,147 | 430,711 | 391,850 |
| Other countries in the European Economic Area | 16,732 | 32,290 | 115,773 | 93,743 | 132,505 | 126,033 |
| Americas and Asia | 26,488 | 48,185 | 184,333 | 152,099 | 210,821 | 200,284 |
| Other countries | 826 | 901 | 4,007 | 4,973 | 4,833 | 5,874 |
| **TOTAL SOURCES OF FUNDS** | **231,773** | **225,079** | **547,097** | **498,962** | **778,870** | **724,041** |

81% of BNP Paribas SA's revenues in 2017 came from counterparties in the European Economic Area (89% in 2016).

## 6.e SCHEDULE OF SOURCES AND USES OF FUNDS

| | | Term remaining | | | | | |
|---|---|---|---|---|---|---|---|
| *In millions of euros* | Demand and overnight transactions | Up to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Of which provisions | Total |
| Uses of funds | | | | | | | |
| Cash and amounts due from central banks | 154,945 | 745 | | | | | **155,690** |
| Treasury bills and money-market instruments | 174 | 44,704 | 14,067 | 26,256 | 37,953 | (4) | **123,154** |
| Due from credit institutions | 10,174 | 90,476 | 46,857 | 40,482 | 34,077 | (118) | **222,066** |
| Customer and leasing transactions | 30,616 | 168,552 | 53,280 | 99,890 | 81,676 | (5,736) | **434,014** |
| Bonds and other fixed-income securities | 1,154 | 16,773 | 15,551 | 19,346 | 34,589 | (186) | **87,413** |
| **Sources of funds** | | | | | | | |
| Amounts due to credit institutions and central banks | 30,883 | 87,695 | 25,000 | 73,871 | 14,324 | | **231,773** |
| Customer items | 281,589 | 207,047 | 32,397 | 21,446 | 4,618 | | **547,097** |
| Debt securities | 623 | 30,617 | 30,211 | 33,660 | 30,718 | | **125,829** |

## 6.f NON-COOPERATIVE STATES AND TERRITORIES

Authorisation from the Group's Compliance Department must be obtained through a special procedure before BNP Paribas SA or Group subsidiaries that report to BNP Paribas SA can open a location in a state considered "uncooperative" as defined by article 238-0 A of the French General Tax Code and the Order issued on 8 April 2016 amending the list of uncooperative states. In accordance with BNP Paribas'"best interests" principle, and to ensure that the Group's internal control mechanisms are applied consistently, these locations are subject to the Group's regulations on risk management, money laundering, corruption, financial embargoes, and terrorism financing.

| Company name | Ownership interest (%) | Legal form | Type of license | Business activity |
|---|---|---|---|---|
| **Panama** | | | | |
| BNPP SA (Panama branch) - in liquidation [(1)] | 100 | Branch | banking licence | In liquidation |
| **Brunei** | | | | |
| BNP Paribas Asset Management (B) SDN BHD | 98.29 | SDN BHD (Private Limited Company) | Investment Advisor License | Asset Management |
| **Botswana** | | | | |
| RCS Botswana Proprietary Limited | 100 | Proprietary Limited | | Ancillary financial services |

*(1) The liquidation process of the entity located in Panama, initiated in July 2010, is pending approval from the local regulator.*

# 6.2 Appropriation of income for the year ended 31 December 2017 and dividend distribution

At the Annual General Meeting of 24 May 2018, the Board of Directors will propose an appropriation of income for the year ended 31 December 2017 and dividend distribution under the following terms:

| *In millions of euros* | |
|---|---|
| Net income | 3,157 |
| Unappropriated retained earnings | 29,877 |
| **TOTAL INCOME TO BE APPROPRIATED** | **33,034** |
| Dividend | 3,772 |
| Retained earnings | 29,262 |
| **TOTAL APPROPRIATED INCOME** | **33,034** |

The total proposed dividend to be paid to BNP Paribas SA shareholders is EUR 3,772 million, which corresponds to EUR 3.02 per share (with a par value of EUR 2.00) based on the number of existing shares at 31 December 2017.

# 6.3 BNP Paribas SA five-year financial summary

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Share capital at year-end** | | | | | |
| ■ a) Share capital *(in euros)* | 2,490,325,618 | 2,491,915,350 | 2,492,770,306 | 2,494,005,306 | 2,497,718,772 |
| ■ b) Number of shares in issue | 1,245,162,809 | 1,245,957,675 | 1,246,385,153 | 1,247,002,653 | 1,248,859,386 |
| ■ c) Number of convertible bonds in issue | None | None | None | None | None |
| **Results of operations for the year *(in millions of euros)*** | | | | | |
| ■ a) Total revenues, excluding VAT | 26,704 | 24,598 | 28,160 | 32,458 | 27,707 |
| ■ b) Earnings before taxes, depreciation, amortisation and impairment | 6,183 | 1,766 | 7,323 | 10,153 | 3,003 |
| ■ c) Income tax expense | (466) | (218) | (74) | (278) | 345 |
| ■ d) Earnings after taxes, depreciation, amortisation and impairment | 4,996 | (3,089) | 6,232 | 9,266 | 3,157 |
| ■ e) Total dividend payout(1) | 1,868 | 1,869 | 2,879 | 3,367 | 3,772 |
| **Earnings per share in euros** | | | | | |
| a) Earnings after taxes, but before depreciation, amortisation and impairment | 4.59 | 1.24 | 5.82 | 7.92 | 2.68 |
| b) Earnings after taxes, depreciation, amortisation and impairment | 4.01 | (2.48) | 5.00 | 7.43 | 2.53 |
| c) Dividend per share(1) | 1.50 | 1.50 | 2.31 | 2.70 | 3.02 |
| **Employee data** | | | | | |
| a) Number of employees at year-end | 47,562 | 49,132 | 49,751 | 51,498 | 53,078 |
| b) Total payroll expense *(in millions of euros)* | 3,772 | 3,713 | 4,288 | 4,263 | 4,441 |
| c) Total social security and employee benefit charges paid *(in millions of euros)* | 1,359 | 1,328 | 1,404 | 1,599 | 1,577 |

*(1) For 2017, subject to approval at the Annual General Meeting of 24 May 2018.*

# 6.4 Subsidiaries and associated companies of BNP Paribas SA

| Name | SIREN | currency | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Revenues, excluding VAT(**) | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Turnover excl VAT(**) | Share capital | Ref. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | In millions of foreign currency | | | | In millions of euros (*) | | | | % | |
| **BNP Paribas SA (siren 662,042,449) is the parent company of all subsidiaries and associated companies** | | | | | | | | | | | | |
| **I – Detailed information about subsidiaries and associated companies whose book value exceeds 1% of BNP Paribas SA's share capital** | | | | | | | | | | | | |
| **1. Subsidiaries (more than 50%-owned)** | | | | | | | | | | | | |
| Antin Participation 5<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 433,891,678 | EUR | 178 | 3 | 7 | 4 | 178 | 3 | 7 | 4 | 100% | (1) |
| Austin Finance<br>3 rue d'Antin<br>75002 Paris<br>France | 485,260,640 | EUR | 868 | 152 | 19 | 20 | 868 | 152 | 19 | 20 | 92% | (1) |
| B*Capital<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 399,223,437 | EUR | 4 | 10 | 2 | 40 | 4 | 10 | 2 | 40 | 100% | (1) |
| Banca Nazionale del Lavoro SPA<br>119 Via Vittorio Veneto<br>00187 Roma<br>Italy | | EUR | 2,077 | 3,496 | 121 | 3 | 2,077 | 3,496 | 121 | 3 | 100% | (1) |
| Banco BNP Paribas Brasil SA<br>510 Av. Presidente Juscelino Kubitschek,<br>10° a 13° Andares, Itaim Bibi<br>04543-906 Sao Paulo<br>Brazil | | BRL | 1,238 | 851 | 358 | 909 | 312 | 214 | 90 | 229 | 100% | (2) |
| BGZ SA<br>10/16 ul. Kasprzaka<br>01-211 Warsaw<br>Poland | | PLN | 84 | 6,031 | 300 | 2,700 | 20 | 1,444 | 72 | 646 | 60% | (2) |
| BNL International Investment SA<br>30 Viale Altiero Spinelli<br>00157 Roma<br>Italy | | EUR | 110 | 327 | 2 | 2 | 110 | 327 | 2 | 2 | 100% | (2) |
| BNP Paribas (China) Ltd.<br>25/F Shanghai World Financial Center<br>100 Century Avenue<br>Shanghai 200120<br>PRC 200120 Shanghai<br>China | | USD | 653 | 558 | 54 | 151 | 544 | 464 | 45 | 125 | 100% | (2) |
| BNP Paribas BDDI Participations<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 433,891,983 | EUR | 46 | 58 | 50 | 61 | 46 | 58 | 50 | 61 | 100% | (1) |
| BNP Paribas Canada<br>1981 Mc Gill College Avenue<br>H3A 2W8 Montreal<br>Canada | | CAD | 159 | 423 | 7 | 8 | 106 | 281 | 5 | 6 | 100% | (2) |
| BNP Paribas Cardif<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 382,983,922 | EUR | 150 | 2,662 | 718 | 630 | 150 | 2,662 | 718 | 630 | 100% | (1) |

*(*) Converted at the rate applicable on 31/12/2017.*
*(**) Revenue excluding taxes for commercial entities and net income for bank entities*
*(1) Non-audited social contributions data as at 31/12/2017.*
*(2) Data used in Group consolidated financial statements as at 31/12/2017*
*(3) Social contributions data as at 31/12/2016.*

| Name | SIREN | currency | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Revenues, excluding VAT(**) | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Turnover excl VAT(**) | Share capital | Ref. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | In millions of foreign currency | | | | In millions of euros (*) | | | | % | |
| **BNP Paribas Colombia Corporation Financiera SA**<br>Carrera 8A no. 99-51<br>Edificio World Trade Center, Torre A, Piso 9<br>Bogota DC<br>Colombia | | COP | 133,721 | 18,281 | (1,992) | 33,145 | 37 | 5 | (1) | 9 | 94% | (2) |
| **BNP Paribas Commodity Futures Ltd.**<br>10 Harewood Avenue<br>NW1 6AA London<br>United Kingdom | | USD | 75 | 270 | 50 | 89 | 62 | 225 | 42 | 74 | 100% | (2) |
| **BNP Paribas Developpement**<br>20 Rue Chauchat<br>75009 Paris<br>France | 348,540,592 | EUR | 119 | 530 | 94 | 133 | 119 | 530 | 94 | 133 | 100% | (1) |
| **BNP Paribas El Djazair**<br>8 Rue de Cirta<br>Hydra<br>16035 Algiers<br>Algeria | | DZD | 10,000 | 14,483 | 3,640 | 13,610 | 73 | 105 | 26 | 99 | 84% | (2) |
| **BNP Paribas Espana SA**<br>4 Calle Emilio Vargas<br>28043 Madrid<br>Spain | | EUR | 52 | 24 | 1 | 30 | 52 | 24 | 1 | 30 | 100% | (2) |
| **BNP Paribas Factor**<br>46/52 Rue Arago<br>92823 Puteaux<br>France | 775,675,069 | EUR | 6 | 29 | 37 | 108 | 6 | 29 | 37 | 108 | 100% | (2) |
| **BNP Paribas Factor Portugal**<br>3525 Avenida de Boavista<br>Edificio Aviz 6ø<br>4100 Porto<br>Portugal | | EUR | 13 | 68 | 4 | 10 | 13 | 68 | 4 | 10 | 64% | (2) |
| **BNP Paribas Fortis**<br>3 Montagne du Parc/<br>Warandeberg 3<br>1000 Brussels<br>Belgium | | EUR | 10,965 | 6,367 | 1,691 | 4,482 | 10,965 | 6,367 | 1,691 | 4,482 | 100% | (1) |
| **BNP Paribas Home Loan SFH**<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 454,084,211 | EUR | 285 | 2 | 0 | 3 | 285 | 2 | 0 | 3 | 100% | (1) |
| **BNP Paribas India Holding Private Ltd.**<br>1 North Avenue -<br>BNP Paribas House<br>Maker Maxity, Bandra -<br>KurlaComplex<br>Bandra (East)<br>400,051 MUMBAI<br>India | | INR | 2,608 | 300 | 18 | 45 | 34 | 4 | 0 | 1 | 100% | (2) |
| **BNP Paribas Ireland**<br>5 George's Dock<br>IFSC<br>Dublin 1<br>Ireland | | EUR | 902 | 712 | 60 | 61 | 902 | 712 | 60 | 61 | 100% | (2) |
| **BNP Paribas Lease Group Leasing Solutions SPA**<br>3 Piazza Lina Bo Bardi<br>20124 Milan<br>Italy | | EUR | 204 | (20) | (21) | 42 | 204 | (20) | (21) | 42 | 74% | (2) |
| **BNP Paribas Malaysia Berhad**<br>Level 48, Vista Tower<br>The Intermark<br>182 Jalan Tun Razak<br>50400 Kuala Lumpur<br>Malaysia | | MYR | 650 | 28 | 44 | 120 | 133 | 6 | 9 | 25 | 100% | (2) |

*(*) Converted at the rate applicable on 31/12/2017.*
*(**) Revenue excluding taxes for commercial entities and net income for bank entities*
*(1) Non-audited social contributions data as at 31/12/2017.*
*(2) Data used in Group consolidated financial statements as at 31/12/2017*
*(3) Social contributions data as at 31/12/2016.*

| Name | SIREN | currency | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Revenues, excluding VAT(**) | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Turnover excl VAT(**) | Share capital | Ref. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | In millions of foreign currency | | | | In millions of euros (*) | | | | % | |
| **BNP Paribas Personal Finance**<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 542,097,902 | EUR | 530 | 5,527 | 540 | 1,826 | 530 | 5,527 | 540 | 1,826 | 100% | (1) |
| **BNP Paribas Prime Brokerage International Ltd.**<br>c/o Marsh Management Services (Dublin) Limited<br>25/28 Adelaide Road Dublin 2<br>Ireland | | USD | 0 | 629 | 15 | 163 | 0 | 524 | 12 | 136 | 100% | (2) |
| **BNP Paribas Public Sector SCF**<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 433,932,811 | EUR | 24 | 2 | 3 | 6 | 24 | 2 | 3 | 6 | 100% | (1) |
| **BNP Paribas Real Estate**<br>167 Quai de la Bataille de Stalingrad<br>92867 Issy Les Moulineaux<br>France | 692,012,180 | EUR | 383 | 294 | 92 | 719 | 383 | 294 | 92 | 719 | 100% | (2) |
| **BNP Paribas Réunion**<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 428,633,408 | EUR | 25 | 24 | 6 | 49 | 25 | 24 | 6 | 49 | 100% | (2) |
| **BNP Paribas SB Re**<br>16 Rue Edward Steichen<br>L -2540 Luxembourg<br>Luxembourg | | EUR | 250 | 57 | (2) | (1) | 250 | 57 | (2) | (1) | 100% | (2) |
| **BNP Paribas Securities (Asia) Ltd.**<br>59-63/F II International FinanceCentre<br>8 Finance Street<br>Central<br>Hong Kong | | HKD | 2,429 | (1,390) | (78) | 415 | 259 | (148) | (8) | 44 | 100% | (2) |
| **BNP Paribas Securities Japan Ltd.**<br>GranTokyo North Tower<br>1-9-1 Marunouchi, Chiyoda-ku<br>100-6740 Tokyo<br>Japan | | JPY | 201,050 | 12,766 | 11,336 | 29,077 | 1,486 | 94 | 84 | 215 | 100% | (2) |
| **BNP Paribas Securities Korea Company Ltd.**<br>24, 25FL, State Tower Namsan,<br>100, Toegye-ro, Jung-gu<br>Seoul<br>100-052<br>Republic of Korea | | KRW | 250,000 | 6,029 | (8,733) | 12,236 | 194 | 5 | (7) | 10 | 100% | (2) |
| **BNP Paribas Securities Services- BP2S**<br>3 Rue d'Antin<br>75002 Paris<br>France | 552,108,011 | EUR | 177 | 552 | 151 | 1,727 | 177 | 552 | 151 | 1,727 | 95% | (1) |
| **BNP Paribas Suisse SA**<br>2 Place de Hollande<br>1211 Geneva 11<br>Switzerland | | CHF | 320 | 1,697 | 60 | 457 | 274 | 1,450 | 51 | 390 | 100% | (2) |
| **BNP Paribas UK Holdings Ltd.**<br>10 Harewood Avenue<br>NW1 6AA London<br>United Kingdom | | GBP | 1,227 | 198 | 10 | 12 | 1,381 | 223 | 11 | 14 | 100% | (2) |
| **BNP Paribas Yatirimlar Holding Anonim Sirketi**<br>Ankara caddesi,<br>Büyük Kelkit Han n° 243, Kat 5<br>Sirkeci, Eminönü/Fatih<br>Istanbul<br>Turkey | | TRY | 1,032 | 1 | 0 | 1 | 227 | 0 | 0 | 0 | 100% | (2) |

*(*) Converted at the rate applicable on 31/12/2017.*
*(**) Revenue excluding taxes for commercial entities and net income for bank entities*
*(1) Non-audited social contributions data as at 31/12/2017.*
*(2) Data used in Group consolidated financial statements as at 31/12/2017*
*(3) Social contributions data as at 31/12/2016.*

| | | | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Revenues, excluding VAT(**) | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Turnover excl VAT(**) | Share capital | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Name** | **SIREN** | **currency** | **In millions of foreign currency** | | | | **In millions of euros (*)** | | | | **%** | **Ref.** |
| **BNP Paribas ZAO**<br>5 Lesnaya Street, Bld. B<br>Business Center White Square<br>Russian Federation<br>125047 Moscow<br>Russian Federation | | RUB | 5,798 | 2,245 | 325 | 1,363 | 84 | 32 | 5 | 20 | 100% | (2) |
| **BNP PUK Holding Ltd.**<br>10 Harewood Avenue<br>NW1 6AA London<br>United Kingdom | | GBP | 257 | 6 | 16 | 16 | 289 | 7 | 18 | 18 | 100% | (2) |
| **BNPP Asset Management Holding**<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 682,001,904 | EUR | 23 | 2,791 | 271 | 289 | 23 | 2,791 | 271 | 289 | 67% | (1) |
| **Cobema**<br>489 Avenue Louise<br>1050 Brussels<br>Belgium | | EUR | 439 | 2,007 | 0 | 0 | 439 | 2,007 | 0 | 0 | 99% | (2) |
| **Compagnie Financière Ottomane SA**<br>44 Avenue JF Kennedy<br>L -1855 Luxembourg<br>Luxembourg | | EUR | 9 | 468 | 4 | 5 | 9 | 468 | 4 | 5 | 97% | (2) |
| **Financière des Italiens**<br>41 Avenue de l'Opéra<br>75002 Paris<br>France | 422,994,954 | EUR | 412 | (191) | 0 | 0 | 412 | (191) | 0 | 0 | 100% | (1) |
| **Financière des Paiements Electroniques**<br>18 avenue Winston Churchill<br>94220 Charenton le pont<br>France | 753,886,092 | EUR | 1 | 65 | 0 | 14 | 1 | 65 | 0 | 14 | 95% | (2) |
| **Financière du Marché Saint Honoré**<br>37 Place du Marché Saint-Honoré<br>75001 Paris<br>France | 662,047,513 | EUR | 107 | 0 | (2) | 1 | 107 | 0 | (2) | 1 | 100% | (1) |
| **Harewood Helena 1 Ltd.**<br>10 Harewood Avenue<br>NW1 6AA London<br>United Kingdom | | USD | 69 | 33 | 23 | 10 | 57 | 27 | 19 | 8 | 100% | (3) |
| **Harewood Holdings Ltd.**<br>10 Harewood Avenue<br>NW1 6AA London<br>United Kingdom | | GBP | 137 | 77 | 13 | 19 | 154 | 87 | 15 | 21 | 100% | (2) |
| **Human Value Developers Private Ltd**<br>Lodha iThink Techno Campus,<br>10th Flr, Beta Bldg Off. JVLR,<br>Opp.Kanjurmarg Rly Stn,<br>Kanjurmarg E<br>Mumbai - 400,042,<br>Maharashtra<br>India | | INR | 2,346 | (19) | 0 | 0 | 31 | 0 | 0 | 0 | 100% | (2) |
| **International Factors Italia SPA - Ifitalia**<br>15 Via Vittor Pisani<br>20124 Milan<br>Italy | | EUR | 56 | 614 | 34 | 118 | 56 | 614 | 34 | 118 | 100% | (2) |
| **Natiocrédibail**<br>46/52 Le Métropole - La Défense<br>rue Arago<br>92800 Puteaux<br>France | 998,630,206 | EUR | 32 | 48 | 22 | 29 | 32 | 48 | 22 | 29 | 100% | (2) |

*(*) Converted at the rate applicable on 31/12/2017.*
*(**) Revenue excluding taxes for commercial entities and net income for bank entities*
*(1) Non-audited social contributions data as at 31/12/2017.*
*(2) Data used in Group consolidated financial statements as at 31/12/2017*
*(3) Social contributions data as at 31/12/2016.*

| Name | SIREN | currency | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Revenues, excluding VAT(**) | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Turnover excl VAT(**) | Share capital | Ref. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | In millions of foreign currency | | | | In millions of euros (*) | | | | % | |
| **Opéra Trading Capital**<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 433,998,085 | EUR | 600 | 10 | (7) | 19 | 600 | 10 | (7) | 19 | 100% | (1) |
| **Optichamps**<br>41 Avenue de l'Opéra<br>75002 Paris<br>France | 428,634,695 | EUR | 411 | (169) | 0 | 0 | 411 | (169) | 0 | 0 | 100% | (1) |
| **Paribas North America Inc.**<br>787 Seventh Avenue<br>NY 10019 New York<br>United States | | USD | 15,060 | 1,262 | 1,000 | 947 | 12,540 | 1,050 | 833 | 789 | 100% | (2) |
| **Parilease**<br>41 Avenue de l'Opéra<br>75002 Paris<br>France | 339,320,392 | EUR | 54 | 266 | 2 | 1 | 54 | 266 | 2 | 1 | 100% | (2) |
| **Participations Opéra**<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 451,489,785 | EUR | 410 | (183) | 0 | 0 | 410 | (183) | 0 | 0 | 100% | (1) |
| **PT Bank BNP Paribas Indonesia**<br>35th Floor Menara BCA<br>Grand Indonesia<br>Jl M H Thamrin no. 1 -<br>10310 Jakarta<br>Indonesia | | IDR | 1,062,170 | 1,192,404 | 378,267 | 718,695 | 65 | 73 | 23 | 44 | 99% | (2) |
| **Sagip**<br>3 Montagne du Parc<br>1000 Brussels<br>Belgium | | EUR | 218 | 1,335 | 22 | 33 | 218 | 1,335 | 22 | 33 | 100% | (2) |
| **Sharekhan Ltd**<br>Lodha iThink Techno Campus,<br>10th Floor, Beta Building Off.<br>JVLR, Opp.<br>Kanjurmarg Ralway Station,<br>Kanjurmarg(E)<br>Mumbai – 400042 India | | INR | 1,359 | 13,240 | 516 | 5,098 | 18 | 173 | 7 | 66 | 73% | (2) |
| **Société Orbaisienne de Participations**<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 428,753,479 | EUR | 311 | (101) | (4) | 19 | 311 | (101) | (4) | 19 | 100% | (1) |
| **Taitbout Participation 3 SNC**<br>1 Boulevard Haussmann<br>75009 Paris<br>France | 433,912,250 | EUR | 792 | 38 | (280) | 0 | 792 | 38 | (280) | 0 | 100% | (1) |
| **Trust and Fiduciary services**<br>8-10 Boulevard de la Tour<br>1205 Geneva<br>Switzerland | | CHF | 4 | 6 | (4) | 0 | 4 | 5 | (3) | 0 | 100% | (3) |
| **UCB Bail 2**<br>46/52 Le Métropole -<br>La Défense<br>rue Arago<br>92800 Puteaux<br>France | 329,654,784 | EUR | 105 | 10 | (1) | 0 | 105 | 10 | (1) | 0 | 100% | (2) |
| **UkrSibbank Public JSC**<br>7 Andreevskaya Street<br>04070 Kiev<br>Ukraine | | UAH | 5,069 | (971) | 1,400 | 4,379 | 150 | (29) | 41 | 130 | 60% | (2) |

*(*) Converted at the rate applicable on 31/12/2017.*
*(**) Revenue excluding taxes for commercial entities and net income for bank entities*
*(1) Non-audited social contributions data as at 31/12/2017.*
*(2) Data used in Group consolidated financial statements as at 31/12/2017*
*(3) Social contributions data as at 31/12/2016.*

| Name | SIREN | Dev. | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Turnover excl VAT(**) | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Revenues or Turnover excl VAT(**) | Percent of share capital held | Ref. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | In millions of foreign currency | | | | In millions of euros (*) | | | | % | |
| **2. Associated companies (10% to 50%-owned)** | | | | | | | | | | | | |
| **BNP Paribas Leasing Solutions** 16 rue Edward Steichen 2540 LUXEMBOURG Luxembourg | | EUR | 1,820 | 803 | 227 | 229 | 1,820 | 803 | 227 | 229 | 50% | (2) |
| **Verner Investissements (Group)** 95 Rue de la Boétie 75008 Paris France | 388,271,298 | EUR | 15 | 325 | 30 | 0 | 15 | 325 | 30 | 0 | 50% | (2) |
| **Geojit BNP Paribas Financial Services Ltd (Group)** 34/659-P Civil Line Road Padivattom Kochi 682024 Kerala India | | INR | 236 | 4,885 | 613 | 3,058 | 3 | 64 | 8 | 40 | 34% | (4) |
| **Banque de Nankin** 50 Huaihai Road 210005 Nanjing China | | CNY | 8,482 | 49,290 | 7,516 | 10,512 | 1,084 | 6,296 | 960 | 1,343 | 19% | (3) |
| **Crédit Logement** 50 Boulevard de Sébastopol 75003 Paris France | 302,493,275 | EUR | 1,260 | 489 | 108 | 218 | 1,260 | 489 | 108 | 218 | 17% | (3) |
| **BGL BNP Paribas** 50 Avenue J.F. Kennedy 2951 Luxembourg Luxembourg | | EUR | 713 | 5,791 | 291 | 686 | 713 | 5,791 | 291 | 686 | 16% | (2) |

*(*) Converted at the rate applicable on 31/12/2017.*
*(**) Revenue excluding taxes for commercial entities and net income for bank entities*
*(1) Non-audited social contributions data as at 31/12/2017.*
*(2) Data used in Group consolidated financial statements as at 31/12/2017*
*(3) Social contributions data as at 31/12/2016.*
*(4) Social contributions data as at 31/12/2017.*



| *In millions of euros* | Subsidiaries | | Associated companies | |
|---|---|---|---|---|
| | French | Foreign | French | Foreign |
| **II - General information about all subsidiaries and associated companies** | | | | |
| **Book value of shares** | | | | |
| Gross value | 18,324 | 51,663 | 720 | 2,616 |
| Carrying amount | 17,631 | 45,107 | 635 | 2,540 |
| Loans and advances given by BNP Paribas SA | 54 | 13 | 0 | 1 |
| Guarantees and endorsements given by BNP Paribas SA | 35,837 | 3,653 | 61 | 11 |
| Dividends received | 845 | 667 | 37 | 134 |

# 6.5 Disclosures of investments of BNP Paribas SA in 2017 affecting at least 5% of share capital of French companies

| Passing threshold of more than 5% of the capital | | |
|---|---|---|
| None | | |
| **Passing threshold of more than 10% of the capital** | | |
| Unlisted | ENYX | SA |
| **Passing threshold of more than 20% of the capital** | | |
| None | | |
| **Passing threshold of more than 33.33% of the capital** | | |
| Unlisted | LYF SAS | SAS |
| Unlisted | LYF SA | SA |
| **Passing threshold of more than 50% of the capital** | | |
| None | | |
| **Passing threshold of more than 66.66% of the capital** | | |
| Unlisted | Financiere des paiements électroniques | SAS |

# 6.6 Statutory Auditors' report on the financial statements

**Deloitte & Associés**
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex

**PricewaterhouseCoopers Audit**
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

**Mazars**
61, rue Henri Regnault
92400 Courbevoie

*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 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.*

For the year ended 31 December 2017

BNP Paribas SA
16, boulevard des Italiens
75009 Paris,
France

To the Shareholders,

## Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of BNP Paribas SA for the year ended 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Financial Statements Committee.

## Basis for opinion

### Audit framework

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

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

### Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from 1st January 2017 to the date of our report and in particular we did not provide any non audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

## Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

**Identification and assessment of credit risk**

*(See Notes 1, 2.f, 3.b, and 3.k to the financial statements.)*

| Description of risk | How our audit addressed this risk |
|---|---|
| As part of its banking intermediation activities, BNP Paribas is exposed to credit risk.<br><br>It recognises impairment losses to cover known credit risks which are inherent to its operations.<br><br>Impairment losses either take the form of individual impairment losses recognised against the related on-and off-balance sheet commitments or of collective impairment losses recognised against loan portfolios presenting similar risks which are not individually impaired. Collective provisions are determined using statistical models which require judgement at each stage of the calculation, particularly with respect to building similar portfolios and determining the inputs for the applicable risks and the obligating event of the provisions.<br><br>Under certain circumstances, additional collective sectoral or geographic provisions are recognised in order to take into account any risks identified by BNP Paribas which are not covered by the above-mentioned individual or collective provisions.<br><br>At 31 December 2017, total balance sheet outstandings due from customers exposed to credit risk amounted to EUR 439.8 billion while total impairment losses stood at EUR 5.7 billion.<br><br>We deemed the identification and assessment of credit risk to be a key audit matter because management is required to exercise judgement and make estimates to assess credit risk, in particular as regards credit granted to companies given the potentially material amounts of the outstandings of loans to corporate counterparties. | We assessed the relevance of BNP Paribas' control system and tested the manual and computerised controls for identifying and measuring impairment.<br><br>We also examined the most significant outstandings and/or portfolios at the reporting date as well as on the credit granted to companies operating in more sensitive economic sectors or geographic regions.<br><br>More specifically, our work consisted in:<br>■ rating corporate counterparties: we assessed the risk presented by the material counterparties whose periodic rating review had not been carried out by BNP Paribas at 31 December 2017 as well as the risk level of a sample of outstandings deemed to be performing by management;<br>■ measuring provisions recorded individually: we verified that a periodic review of the counterparties under surveillance had been carried out by BNP Paribas and based on a sample, assessed the assumptions and data used by management to estimate impairment;<br>■ measuring collective provisions: assisted by our credit risk experts, we assessed the methods used by BNP Paribas across the various scopes and the effectiveness of the data quality controls.<br><br>In addition, we examined the disclosures in the notes to the consolidated financial statements with respect to credit risk. |

**Valuation of financial instruments**

*(See Notes 1, 3.c and 6.c to the financial statements.)*

| Description of risk | How our audit addressed this risk |
|---|---|
| As part of its trading activities, BNP Paribas holds financial instruments (assets and liabilities) which are recognised in the balance sheet at market value.<br><br>Market value is determined according to different approaches, depending on the type of instrument and its complexity: using directly observable quoted prices; using valuation models whose main inputs are observable; and using valuation models whose main inputs are unobservable.<br><br>The valuations obtained may be subject to additional value adjustments to take into account certain specific trading, liquidity or counterparty risks.<br><br>The techniques adopted by management to measure these instruments may therefore involve significant judgement as regards the models and data used.<br><br>At 31 December 2017, the market value of transaction securities represented EUR 123.2 billion, the market value of the bank's positive net position on firm transactions was EUR 13.8 billion, and the market value of the bank's net short position on conditional transactions was valued at EUR 4.9 billion.<br><br>In light of the materiality of the outstandings and the judgement used to determine market value, we deemed the measurement of financial instruments to be a key audit matter, in particular the measurement of instruments requiring the use of unobservable inputs. | Assisted by our valuation experts, we verified that the key controls used by BNP Paribas with respect to the valuation of financial instruments function properly, in particular those relating to:<br>■ the approval and regular review by management of the risks of the valuation models;<br>■ the independent verification of the valuation inputs;<br>■ the determination of value adjustments.<br><br>Based on a sample, our valuation experts:<br>■ analysed the relevance of the assumptions and inputs used;<br>■ analysed the results of the independent review of the inputs by BNP Paribas;<br>■ performed independent counter valuations using our own models.<br><br>We also analysed on a sample basis any differences between the valuations obtained and collateral calls with counterparties.<br><br>In addition, we examined the disclosures in the notes to the consolidated financial statements with respect to the valuation of financial instruments. |

**Measurement of investments in subsidiaries, equity securities held for long-term investment and affiliates**

*(See Notes 1, 3.c, 3.e, 8 to the financial statements)*

| Description of risk | How our audit addressed this risk |
|---|---|
| Investments in subsidiaries, equity securities held for long-term investment and affiliates are carried in the balance sheet for an amount of EUR 66.5 billion.<br><br>They are measured individually at the lower of cost or value in use.<br><br>Value in use is determined on the basis of available information using a multi-criteria valuation approach, including discounted future cash flows, sum-of-the-digits and net asset value methods as well as an analysis of ratios commonly used to assess future yields and exit opportunities for each line of securities.<br><br>When their carrying amount exceeds value in use, an impairment loss is recognised for the difference.<br><br>Given the materiality of investments in subsidiaries, equity securities held for long-term investment and affiliates, in the balance sheet and the sensitivity of the models used to changes in the data and assumptions underlying the estimated values, we deemed the measurement of these investments to be a key audit matter. | Our audit work consisted in:<br>■ assessing, using sampling techniques, the justification for the valuation methods and data used by management to estimate values in use;<br>■ testing, using sampling techniques, the accuracy of the calculation of values in use used by the company.<br><br>Lastly, we reviewed the disclosures on investments in subsidiaries, equity securities held for long-term investment and affiliates in the notes to the financial statements. |

**Analysis of legal risk with respect to regulatory and administrative investigations and to class actions**

*(See Notes 2.f and 3.k to the financial statements)*

| Description of risk | How our audit addressed this risk |
|---|---|
| In each of the countries where it is present, BNP Paribas is subject to the regulations applicable to the sectors in which it operates. If the Company does not comply with the applicable laws and regulations, it may be exposed to significant fines and other administrative and criminal penalties. It may also incur losses as a result of private legal disputes in connection with or unrelated to these penalties.<br><br>Any provision recognised to cover the consequences of investigations into non compliance with certain regulations requires judgement due to the difficulty in estimating the outcome of regulatory procedures.<br><br>Any provisions with respect to class actions or other private legal disputes also requires management to exercise judgement.<br><br>In light of the increase in regulatory and administrative investigations and class actions brought against financial establishments in recent years and of the significant judgement exercised by management to determine the amount of provisions recognised, we deemed this risk to be a key audit matter. | We familiarised ourselves with the procedure for identifying and assessing legal risk with respect to regulatory and administrative investigations and to class actions, in particular through quarterly interviews with BNP Paribas SA's legal functions.<br><br>Our work consisted primarily in:<br>■ obtaining an understanding of the analyses prepared by the financial and legal departments at the end of each quarterly accounting period;<br>■ obtaining confirmations from the specialised law firms with which BNP Paribas works when subject to legal disputes. |

**General IT controls**

| Description of risk | How our audit addressed this risk |
|---|---|
| The reliability and security of IT systems plays a key role in the preparation of BNP Paribas SA's financial statements.<br><br>We thus deemed the assessment of the general IT controls and the application controls specific to the information processing chains that contribute to the preparation of accounting and financial information to be a key audit matter.<br><br>In particular, a system for controlling access rights to IT systems and authorisation levels based on employee profiles represents a key control for limiting the risk of inappropriate changes to application settings or underlying data. | For the main systems used to prepare accounting and financial information, assisted by our IT specialists, our work consisted primarily in:<br>■ obtaining an understanding of the systems, processes and controls which underpin accounting and financial data;<br>■ assessing the general IT controls (application and data access management, application changes/developments management and IT operations management) on material systems (in particular accounting, consolidation and automatic reconciliation applications);<br>■ examining the control for the authorisation of manual accounting entries. |

## Verification of the management report and of the other documents provided to the shareholders

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

### Information given in the management report with respect to the Company's financial position and the financial statements

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

### Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

### Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

## Report on other legal and regulatory requirements

### Appointment of the Statutory Auditors

We were appointed Statutory Auditors of BNP Paribas SA by the Annual General Meetings held on 23 May 2006 for Deloitte & Associés, 26 May 1994 for PricewaterhouseCoopers Audit and 23 May 2000 for Mazars.

At 31 December 2017, Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars were in the twelfth year, the twenty-fourth year and the eighteenth year of total uninterrupted engagement, respectively.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements presenting a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements free of material misstatement, whether due to fraud or error.

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

The Financial Statements Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors of BNP Paribas SA.

## Responsibilities of the Statutory Auditors relating to the audit of the financial statements

### Objective and audit approach

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

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

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Report to the Financial Statements Committee**

We submit a report to the Financial Statements Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Financial Statements Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Financial Statements Committee with the declaration provided for in article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Financial Statements Committee.



Neuilly-sur-Seine and Courbevoie, 6 March 2018

The Statutory Auditors

| **Deloitte & Associés** | **PricewaterhouseCoopers Audit** | **Mazars** |
|---|---|---|
| Damien Leurent | Étienne Boris | Hervé Hélias |

# 7 A COMMITTED BANK: INFORMATION CONCERNING THE ECONOMIC, SOCIAL, CIVIC AND ENVIRONMENTAL RESPONSIBILITY OF BNP PARIBAS

All the information presented in the CSR chapter of the Registration document has been collected following specific requests addressed to the functions, business lines, departments or territories of the Group, or by the use of the Group's internal management tools. It is expressly noted when the scope covered by information differs from that of the entire BNP Paribas Group.

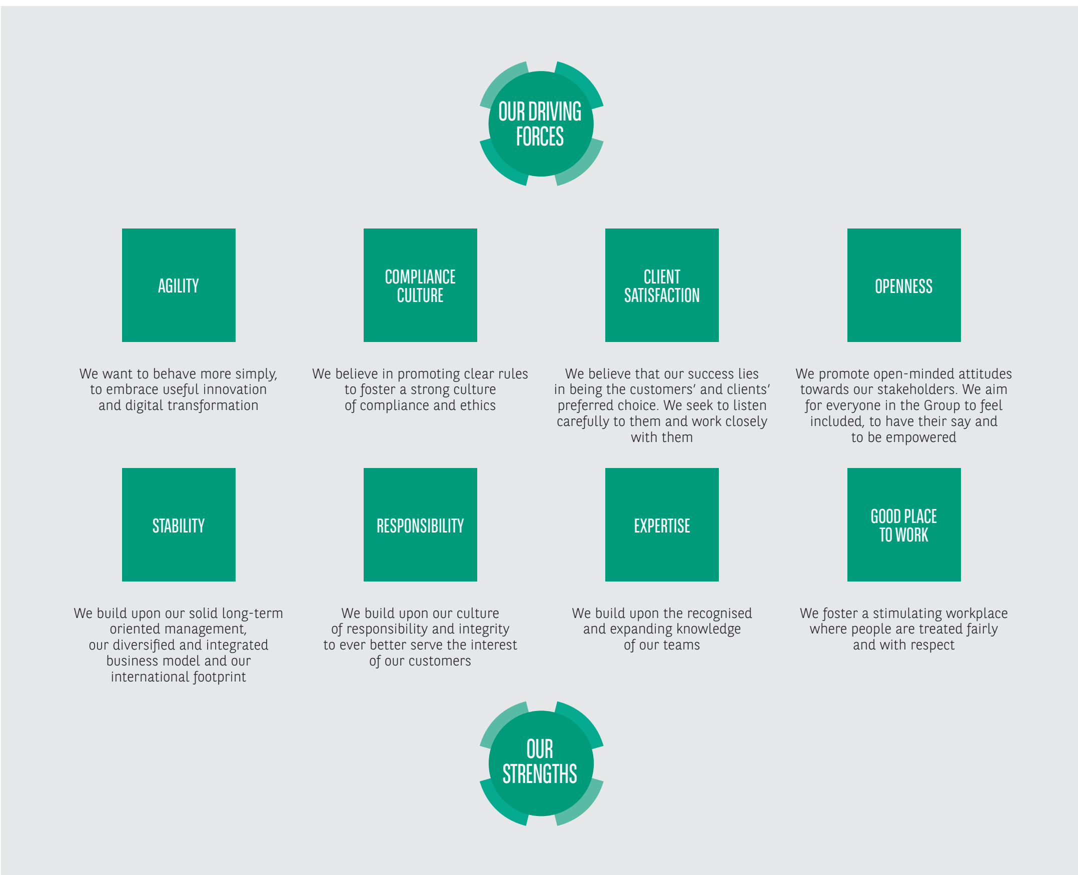
# 7.1 Our mission and our values

Our mission and values were redefined and restated in early 2016, and guide the decisions and actions of BNP Paribas employees.

## OUR MISSION

We want to make a positive impact on our stakeholders and on society at large. Thanks to our integrated model, our highly engaged teams can offer our customers top quality service and solutions. We offer our colleagues a motivating and inspiring work environment. We want to be one of the most trustworthy players in the sector, by integrating even more of our values and ethics into our day-to-day activities.

## OUR VALUES, THE BNP PARIBAS WAY



## OUR CORPORATE SOCIAL RESPONSIBILITY STRATEGY (CSR)

The BNP Paribas responsibility policy is included in the Group's policy concerning commitment to society which, in 2017, created a Company Engagement Department in line with its 2020 strategy.

Represented on the Group Executive Committee, this new Department is tasked with:

- strengthening the CSR and diversity practices and bringing all the Company's levers together to meet major societal challenges;
- defining and implementing commitments concerning economic growth, expansion, environment and energy transition, social inclusion and local development, diversity and promotion of human rights.

The Group's social and environmental responsibility policy is one of the main components of this approach. Against this backdrop, it remains unchanged, based on 4 pillars and 12 commitments that reflect the CSR challenges as well as the Bank's concrete achievements. In line with the UN Sustainable Development Goals (SDG), as part of a continual improvement process, this strategy aims to build a more sustainable world while ensuring the Group's stability and performance. All of the Group's business lines, networks, subsidiaries and countries apply this policy, using the same structure while adapting it to their specific characteristics.

### A BANK COMMITTED TO A BETTER FUTURE

#### OUR 4 PILLARS

| THE ECONOMY | OUR PEOPLE | THE COMMUNITY | THE ENVIRONMENT |
|---|---|---|---|
| Financing the economy in an ethical manner | Developing and engaging our people responsibility | Being a positive agent for change | Combating climate change |

#### OUR 12 COMMITMENTS

| | | | |
|---|---|---|---|
| 1 INVESTMENTS AND FINANCING WITH A POSITIVE IMPACT | 4 PROMOTION OF DIVERSITY AND INCLUSION IN THE WORKPLACE | 7 PRODUCTS AND SERVICES THAT ARE WIDELY ACCESSIBLE | 10 PARTNERING WITH OUR CLIENTS IN THE TRANSITION TO A LOW-CARBON ECONOMY |
| 2 ETHICS OF THE HIGHEST STANDARD | 5 A GOOD PLACE TO WORK AND RESPONSIBLE EMPLOYMENT MANAGEMENT | 8 COMBAT SOCIAL EXCLUSION AND SUPPORT HUMAN RIGHTS | 11 REDUCE THE ENVIRONMENTAL IMPACT OF OUR OPERATIONS |
| 3 SYSTEMATIC INTEGRATION AND MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS | 6 A LEARNING COMPANY SUPPORTING DYNAMIC CAREER MANAGEMENT | 9 CORPORATE PHILANTHROPY POLICY FOCUSED ON THE ARTS, SOLIDARITY AND THE ENVIRONMENT | 12 ADVANCE AWARENESS AND SHARING OF BEST ENVIRONMENTAL PRACTICES |

#### OUR GOVERNANCE

**Governance**

- driven by a culture of responsibility and integrity,
- based on best practices,
- involving the Board of Directors, the shareholders, the management and the whole Group,
- to ensure a sustainable future for our business and deliver a positive impact on society.

## CSR MANAGEMENT DASHBOARD

In order to be in line with the Bank's CSR strategy, the CSR management indicators were redefined in 2015 for the period 2016-2018, and the Group has taken on quantitative commitments for this period. The Group's Executive Committee and Board of Directors review the achievement of these objectives annually. Nine of these thirteen indicators are used in calculating the deferred variable compensation of more than 6,300 of the Group's top managers, where they account for 20% of the award conditions for this compensation.

### BNP PARIBAS CORPORATE SOCIAL AND ENVIRONMENTAL INDICATORS

| Pillar | Indicator | 2015 | 2016 | 2017 | 2018 Objective |
|---|---|---|---|---|---|
| Economic Responsibility | Share of loans to companies contributing strictly to the achievement of UN Sustainable Development Goals | 15% | 16.6% | 16.5% | Maintain at least at 15% |
| | Percentage of employees trained on an ethics-related issue | No action | 96.3% | 96.2% | Over 80% by the end of 2018 |
| | Share of loans to companies subject to an environmental and social management system which is specific to the concerned activity | 25% | 28% | 54.9% | 40% |
| Social Responsibility | Percentage of women among the members of cross-functional Executive Committees across business lines and/or countries(*) | 21% | 24% | 25% | 23% |
| | Percentage of employees having at least 14 weeks of paid maternity leave and/or six days of paid paternity leave | 74% | 81% | 82% | 85% |
| | Percentage of employees reporting having been trained (any format, including e-learning) over the past 12 months | 74% | 85% | 86% | 90% |
| Civic Responsibility | Annual number of beneficiaries of microloans distributed by microfinance institutions financed by BNP Paribas (on a pro rata basis of the financing issued by BNP Paribas) | 250,000 | 309,000 | 289,000 | 350,000 |
| | Percentage of employees contributing directly to the promotion of human rights who have received a specific training | No action | 13% | 70% | 80% of the targeted population (approximately 3,000 people) |
| | The BNP Paribas Group's annual sponsorship budget | €38.6m | €40.4m | €40.2m | Average yearly budget over the 2016-2018 period greater or equal to the 2015 budget |
| Environmental Responsibility | Financing for renewable energies | €7.2 billion | €9.3 billion | €12.3 billion | EUR 15 billion in 2020 |
| | Greenhouse gas emissions | 2.89 teq$CO_2$/FTE | 2.72 teq$CO_2$/FTE | 2.54 teq$CO_2$/FTE | 2.41 teq$CO_2$/FTE in 2020 |
| | Number of people made aware of climate issues by BNP Paribas in the 2016-2018 period | 70,000 | 116,000(**) | 60,698 | 140,000 in the 2016-2018 period |
| Governance and Steering | Percentage of employees with a positive opinion of how the Group discharges its social and environmental responsibility and its commitments as a responsible bank | 69% | 70% | 73% | 72% |

*(*) Out of approximately 500 Top executives.*
*(**) This exceptional peak of people made aware in 2016 was due to the organisation of an expedition in the Southern Ocean onboard the Marion Dufresne, showcasing the Soclim programme supported through the Climate Initiative programme.*

## BNP PARIBAS' PUBLIC POSITIONS

BNP Paribas' approach to corporate social responsibility (CSR) is framed by the thematic and sector-specific public positions it has adopted. These positions underpin the way in which the Group wishes to conduct its business. With a presence in 73 countries, the Group carries out its operations in full respect of **universal** rights and **principles**, as a contributor to or active member of:

- the United Nations Global Compact (Advanced level);
- the UN Women's Empowerment Principles;
- Businesses for Human Rights (*Entreprises pour les Droits de l'Homme*, EDH);
- the World Resource Insitute's (WRI) Science Based Targets Initiative;
- Businesses and Health;
- the French Institute for Sustainable Development and International Relations (IDDRI). Founded in 2001, the IDDRI aims to create and share ways of analysing and understanding strategic sustainable development priorities with a global outlook. Since 2016, the Head of the Group's CSR Function has had a seat on its Board of Directors.

BNP Paribas is part of several **think tanks, working groups and commitment platforms focused on environmental issues** (see Commitment 12: *Advance awareness and sharing of best environmental practices*).

The Group actively participates in designing solutions and implementing **long-term practices specific to the financial sector** within the framework of:

- the Equator Principles;
- the UNEP Finance Initiative's Positive Impact Principles;
- the Principles for Responsible Investment (PRI), for BNP Paribas Asset Management (2006), BNP Paribas Real Estate Investment Management (2015), BNP Paribas Cardif (2016) and BNP Paribas Securities Services (2016), totalling assets held, managed or administered by the Group of almost USD 10,000 billion.

Finally, for several years, the Group has also formalised **voluntary commitments** via:

- the commitments for the Environment defining the Group's strategy concerning these challenges;
- a Statement by BNP Paribas on Human Rights;
- an anti-corruption policy;
- a Charter for responsible representation *vis-a-vis* the public authorities: it formalises the transparency and professional ethical rules to be respected. BNP Paribas is the first European bank to have adopted, as early as 2012, an internal charter providing a framework for its lobbying practices;
- a CSR Charter for BNP Paribas suppliers;
- a list of excluded goods and activities such as drift nets, the production of asbestos fibres, products containing PCBs, or the trading of any species regulated by the CITES convention without the necessary authorisation;
- monitoring and exclusion lists grouping businesses which do not meet the Group's CSR requirements;
- financing and investment policies in the following sectors: agriculture, palm oil, defence, nuclear energy, paper pulp, coal energy, mining and non-conventional hydrocarbons.

In 2017, the Group reinforced its commitments in the coal sector and made new commitments in the fields of non-conventional hydrocarbons and tobacco (see Commitment 3: *Systematic integration and management of environmental, social and governance risks*).

## PROGRESS ACKNOWLEDGED BY EXTRA-FINANCIAL RATING AGENCIES

The following table shows the most recent evaluations from the main extra-financial rating agencies and the inclusion of the BNP Paribas share in the most recent extra-financial indexes.

| Agency | Rating (year of most recent rating) | Rating (previous year) | Inclusion in the related indexes |
|---|---|---|---|
| Carbon Disclosure Project | A- (2017) | A- (2016) | |
| FTSE4Good | 4.2/5 (2017) | 4.5/5 (2016) | FTSE4Good Global Index |
| Oekom research | C (2017) 2nd bank in the ranking | C (2016) | Prime (best-in-class status) |
| RobecoSAM | 86/100 (2017) 1st French bank in the ranking | 87/100 (2016) | DJSI World – DJSI Europe |
| Sustainalytics | 78/100 (2017) | 77/100 (2016) | Global Compact 100 of the United Nations and STOXX Global ESG Leaders |
| Vigeo Eiris | 64/100 (2017) 1st European bank in the ranking | 63/100 (2015) | NYSE Euronext-Vigeo Eiris World 120, Eurozone 120, Europe 120 and France 20 |

In 2017, BNP Paribas was also included in the following indexes: Bloomberg Financial Services Gender-Equality Index, Thomson Reuters Global Diversity & Inclusion Index, Pax Ellevate Global Women's Index Fund[1] and its Moroccan bank, BMCI, is listed in the Euronext-Vigeo Eiris Ranking Emerging 70 Index.

Other bodies and specialised magazines have also acknowledged the Group's improved performance. Indeed, BNP Paribas was:

- listed as the leading European bank in the 2018 "100 Most Sustainable Corporations" index of the Canadian magazine Corporate Knights, being placed in 36th position;
- recognised as the leading European bank in the fight against climate change in the 2017 ranking published by the NGO ShareAction : "Banking on a low-carbon future: a Ranking of the 15 largest European Banks' Responses to Climate Change";
- included in the 2017 Global Banking & Finance Review magazine's ranking as "Best Corporate Social Responsibility Banking Group in Europe";
- included in The Banker magazine's 2017 ranking as "Most innovative investment bank for climate change and sustainability".

## CSR TAKEN TO THE HIGHEST LEVEL IN THE ORGANISATION

Year by year, BNP Paribas is making progress in implementing its CSR policy and this is thanks to the daily commitment of its 196,128 employees. In the various Group entities and functions around the world, they implement multiple CSR initiatives in their business lines at all levels of the organisation.

A dedicated department is responsible for managing the Bank's CSR commitments, reporting to the Company Engagement Department and represented in the Group Executive Committee. The assignments and responsibilities of the CSR Function are clearly defined in a directive from the Executive Management. At the Head Office, the CSR team is structured as follows:

**CSR Function**

- **Investments and financing with a positive impact**
- **Management of extra-financial risks**
- **◆ CSR stakeholder dialogue**
  **◆ Human Rights Subject**
- **◆ Environment/ Energy Transition**
  **◆ Extra-financial accounting**
- **Microfinance and Social Entrepreneurship**
- **Communication**

It is based on a network created in 2012, which operates in the divisions, business lines, networks, departments and subsidiaries in order to facilitate the roll-out of the CSR policy across the whole Group. It meets quarterly within the Group's CSR Committee, chaired by the Head of the function. In total, nearly 130 people spend all or a majority of their time on CSR matters within BNP Paribas. They can also call upon the expertise of nearly 300 contributors on specific topics such as direct environmental impacts, microfinance and financing and investment policies.

More generally, the Group's Executive Committee regularly decides on CSR topics and the Board of Directors is given a presentation on the CSR strategy at least once a year. Finally, a member of the Executive Committee is responsible for CSR in each entity to ensure that CSR is integrated into the entity's strategy.

## FOSTERING DIALOGUE WITH STAKEHOLDERS

Dialogue with stakeholders, which consists in listening, understanding and taking into account their expectations, is at the heart of BNP Paribas' actions to promote social and environmental responsibility. This dialogue has a three-fold objective: anticipating change in our businesses developments and improving our products and services, optimising risk management and finding innovative solutions which positively impact society.

*(1) The Pax Global Women's Leadership Index Fund lists the world's leading companies in terms of the promotion of women in corporate governance.*

This dialogue is governed by specific policies and procedures. For each type of stakeholder, they define the dedicated contact persons, the appropriate forms of dialogue and the specific grievance mechanisms.

- The steps to foster dialogue with **employees** or **staff representatives** are described in the social pillar of this document (Global People Survey, etc.). Employees may use the Company's whistleblowing system (see *The whistleblowing system*, Commitment 2).
- **Individual customers and small business clients** of all BNP Paribas retail entities have access to a complaints procedure. Numerous entities provide their clients with the opportunity to use an independent ombudsman. In France, for instance, independent ombudsmen for individual customers and small businesses are appointed for a renewable period of three years. The impartial and transparent opinions that they give are binding on the Bank.
- Within the framework of its asset management activities, **BNP Paribas Asset Management** dialogues on ESG themes with **companies in which it invests** to preserve and enhance the medium and long term value of the investments made on behalf of its clients. In 2017, discussions concerned climate change and energy transition, corporate governance, cyber security and human rights. In parallel, BNP Paribas Asset Management supports the ESG commitments of these companies through its voting rights policy (https://www.bnpparibas-am.com/en/corporate-social-responsibility/our-approach-to-responsibility/), which is the subject of an annual report.
- BNP Paribas provides its **suppliers** with a redress procedure in the event of difficulties: all suppliers may refer issues to a mediator internal to the Group, but independent of the Purchasing Department, in accordance with the Group's CSR Charter for Suppliers (online on www.group.bnpparibas.com). 12 cases were referred to the internal mediator in 2017, the majority of them concerning payment terms.
- BNP Paribas presents its CSR strategy several times a year to **Socially Responsible Investors (SRI)** and regularly informs extra-financial analysts of the strategy.
- The Group has defined a policy and a management process for its relations with advocacy **NGOs**, in order to ensure a constructive, coordinated and productive dialogue with them. In 2017, BNP Paribas responded to 101 solicitations from advocacy NGOs and organised several meetings.
- With regard to **regulatory organisations**, **governments and parliamentarians**, in November 2012, BNP Paribas adopted a "Charter for responsible representation *vis-a-vis* the public authorities", which was approved in 2015 by the Board of Directors.

  Lastly, in 2017, BNP Paribas was included in the digital register of lobbyists, enacted by article 25 of French Law No. 2016-1691 of 9 December 2016 and managed by the *Haute Autorité pour la transparence de la vie publique* (HATVP) [High Authority for Transparency in Public Life] (www.hatvp.fr/fiche-organisation/?organisation=662042449).

  BNP Paribas is also a signatory of the joint declaration on lobbying of member companies of Transparency International France. The dedicated website of its Public Affairs France Department details its work and its commitments in the area of responsible representation (www.economieetentreprises.bnpparibas/fr/). The Group's main public positions concerning banking and financial regulations are available on the BNP Paribas Group website (https://group.bnpparibas/en/key-public-positions-banking-financial-regulation).

**The mapping of our stakeholders and the dialogue with each of them are detailed in the document "Objectives and methods of the dialogue between BNP Paribas and its stakeholders", which is available, along with the BNP Paribas materiality note, under the CSR section of the BNP Paribas Group website (https://group.bnpparibas/en/organization-governance). These two documents were updated at the end of 2017.**

# 7.2 Economic responsibility: financing the economy in an ethical manner

BNP Paribas'primary mission is to meet its clients'needs, in particular by financing the projects of individual clients and businesses in an ethical manner, in order to drive economic development and create jobs. Given its leading positions in financial services in the 73 countries in which it operates, the Group's financing capacity and the way it conducts its business can have a direct impact on local economies. Aware of this economic responsibility, BNP Paribas bases its actions on its three commitments:

- Commitment 1: Investments and financing with a positive impact;
- Commitment 2: Ethics of the highest standard;
- Commitment 3: Systematic integration and management of Environmental, Social and governance risks.

Regarding BNP Paribas' economic responsibility, 2017 was marked by a significant increase in financing with a positive impact, both in terms of its contribution to achieving the UN Sustainable Development Goals and its support of job-creating social enterprises, and also by enhanced management of environmental and social risks.

## COMMITMENT 1: INVESTMENTS AND FINANCING WITH A POSITIVE IMPACT

### SUPPORTING SMES AND BOOSTING EMPLOYMENT

#### Supporting SMEs

BNP Paribas has developed the necessary organisational system and has the tried and tested expertise required to contribute to the development of companies SMEs in particular which the Bank supports in an effective and efficient manner in its Domestic Markets and in Retail Banking on the international stage. As a consequence, a wide range of products and services has been developed:

- French Retail Banking has deployed a specific system dedicated to SMEs and their senior management teams which covers 300 expertise centres. Its long-term commitment makes BNP Paribas a go-to bank for SMEs;
- in Turkey, TEB offers Turkish SMEs a wide range of training courses and products to support their growth;
- BNP Paribas SA recorded a Competitiveness and Employment Tax Credit (CICE) of EUR 43 million at 31 December 2017;
- BNP Paribas Asset Management has forged a strategic partnership with Caple, the specialists in alternative financing for European SMEs, thus facilitating access to loans and offering alternative sources of finance to traditional bank loans.

#### Measuring economic impact

Supporting its corporate clients over the long term, particularly SMEs, at all stages of their development, is at the heart of BNP Paribas' work.

Since 2016, the Group has adopted an economic impact measurement approach for its loans to businesses. Although bank loans are one of the most important sources of finance for businesses (in France in particular), the way in which credit flows through the economy is not tracked and their impacts in terms of creating value and employment remain unknown.

In 2016, the Group therefore decided to conduct a pilot study to quantify the contribution that bank loans make to supporting local economies in France (employment and GDP growth).

The results showed that the EUR 50 billion of loans granted to the 46,000 companies financed by the Bank's network in France contributed – investment loans in particular – to maintaining or creating 820,000 jobs in France, approximately 5% of commercial-sector employment. Approximately 24% of them were generated by the business activity of SMEs (companies with revenue under EUR 50 million).

**In 2017, BNP Paribas conducted a new survey to measure the socio-economic impact of BICICI, its subsidiary located in the Ivory Coast**. The objective of this survey was to apply the method, developed previously, to a structurally very different economy (large presence of an informal economy) and with statistical data less easily available. In order to ensure the reliability of the sources, the data was completed and validated with the Ivorian public authorities and the calculated impacts were compared with the actual data for the largest companies and sectors.

The results showed that the Group created added value of approximately EUR 820 million for the Ivory Coast economy, representing 2.3% of its GDP, generated mainly in industry, business services and trade. BNP Paribas supported more than 150,000 jobs in the Ivory Coast, representing 2% of the country's total employment, the majority of theses jobs being in farming, transport and trade. The survey also highlighted the important role played by BICICI as a company providing training for careers in banking.

## CONTRIBUTING TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDG)

In 2030, the planet will be home to 8.5 billion people, over 60% of whom will live in cities. This tremendous growth will give rise to important needs, both in terms of goods (agricultural or industrial), and infrastructures (education, health, access to energy). Given the limited natural resources and the need to protect the planet, innovative solutions must be developed. Hence the 2030 Agenda for Sustainable Development drawn up in September 2015 by the member States of the UN, based on the 17 Sustainable Development Goals (SDGs). These goals are intended to build a future that can be sustained until 2030: eliminating poverty and hunger, promoting equality, building sustainable towns and cities while preserving the planet.

### A CSR strategy aligned with the SDG.

The Group's CSR strategy contributes fully to attaining the SDG. It covers economic growth priorities, inclusion of vulnerable populations and preserving resources.

#### Partnerships the goals

Through the SDG 17 (partnerships to achieve the goals), the UN is emphasising the need to develop effective partnerships between governments, the private sector and civil society. This is the reason why BNP Paribas has decided to raise awareness with its clients (through partnership programmes signed by its subsidiaries such as Poland and Belgium) and its employees (through a series of conferences and tools presenting the SDG issues and the solutions able to be developed by the Group).

> **In 2017, BNP Paribas signed an important partnership agreement with the United Nations** aimed at funding projects designed to help small farmers, in particular in the areas with access to renewable energies, agroforestry and water access. This partnership between private companies, investors, development players and civil society is the first one on such a scale. BNP Paribas will play an advisory role with regard to the financial markets, structuring financing instruments and mobilising investors in order **to fund the programme. In total, this new partnership will make it possible to fund programmes worth EUR 10 billion by 2025.**

To further strengthen its action, the Group decided to measure its contribution to achieving the SDG and to develop new products and services to promote the achievement of these goals.

#### Performance indicator for the SDG

The Group decided to introduce the SDG into its CSR key performance indicators. Pioneer in the banking sector, it was the **first one to propose a yearly global indicator**. It measures the share of business loans having directly contributed to achieving the SDG which stood at 16.5% in 2017 (stable in comparison to 2016), compared to 15% in 2015.

At end-2017, total financing to promote the energy transition and the SDGs was EUR 155 billion (compared to EUR 135 billion in 2016).

### Financing that contributes to attaining the SDG

#### Economic sectors making a full contribution to the SDG

Some business sectors are identified for their positive overall contribution to the SDG: community, social, education, health, agriculture, recycling, renewable energies, research, etc. Among the financings that the Group supported:

- in the **agricultural** sector, BNP Paribas was the lead bank for a five-year syndicated loan of EUR 750m for Barry Callebaut, global leader in the cocoa and chocolate sector. The cost of this loan is linked to the client's sustainable development performance and based on several criteria including employment law and, in particular, child labour, the fight against farmer poverty, carbon impact and the preservation of forests;
- for **transport**, BICIS, the Group's subsidiary in Senegal, financed work on the regional express railway (TER) line which will link Dakar with the new international airport, situated 50 kilometres from the capital;
- the Arror and Kimwater **dams** in Kenya are an example of infrastructure which will make it possible to provide both green energy and access to water to a large number of farmers for irrigation as well as people living in the area.

Other activities are also considered as having a positive impact: Group support for microfinance (see Commitment 7*: Products and services thar are widely accessible*), to social enterprises (see Commitment 1*: Investments and financing with a positive impact*) energy efficiency (see Commitment 10*: Partnering with our clients in the transition to a low-carbon economy*, Engagement 10) and partnerships with international institutions, etc.

#### Partnerships with development banks and institutions

Thanks to these partnerships, BNP Paribas provided over EUR 1 billion of specific support to different categories of clients as well as targeted sectors in 2017: SMEs (Tunisia), supporting exports, energy efficiency (Morocco, Poland), female entrepreneurs (Turkey) and even financing greener sea transport (partnership with the European Investment Bank).

#### Other financing with a strong positive impact

Ultimately, some transactions do not belong to any of these sectors, although they contribute to attaining the SDG through their positive impacts. These financings can also have an environmental dimension (managing biodiversity, water, air quality, greenhouse gas emissions, etc.), an economic dimension (creating employment, regenerating areas, etc.) or civic dimension (inclusion of vulnerable people, access to health or education, etc.). These transactions must meet the following criteria: contributing to a more sustainable economy (greener, more inclusive, more respectful of local communities, etc.), meeting the Group's risk and profitability criteria and not being the subject of any major controversy.

There are some specific examples of this approach:

- BNP Paribas now offers **loans with a rate of interest linked to the CSR performance of the Company**. In October 2017, BPost, a Belgian postal operator, obtained a loan whose financial terms and conditions were determined by its ESG rating, validated by an independent agency: the loan margin will be reduced if this ESG score improves;
- the investment bank has expanded its offering for **financing the supply chain by including environmental and social criteria**, initiated last year with Puma. The first financing agreement of this type in Asia was signed with Pimkie.

**The start-ups** also contribute to attaining the SDG by developing innovative solutions in response to major environmental and social challenges. Among the 460 high-impact start-ups which are French Retail Banking clients, 24% have a positive impact on biotechnologies, 22% are active in the fields of medical and pharmaceutical research, and 15% have a tangible impact on energy efficiency.

### Investment solutions which contribute to attaining the SDG

To **enable the savings of its individual and institutional clients to contribute to achieving the SDG,** the Group has developed a range of products. Thanks to the mapping developed this year by BNP Paribas Asset Management (http://fr.zone-secure.net/52766/385002/#page=6), each investor can identify the SDG to which it contributes through its savings.

The investment bank, BNP Paribas Corporate and Institutional Banking, has launched a range of responsible indices. These enable private investors and institutions to invest in companies identified as making a significant contribution to achieving the SGD with regard to the products that they offer and/or their exemplary conduct. Since 2013, BNP Paribas has launched 16 ethical indices, 5 of which are closely linked to the SDG which have made it possible to raise over EUR 4 billion, EUR 500 million of which for the indices linked to the SDG.

## FINANCING SOCIAL ENTREPRENEURSHIP ("SE")

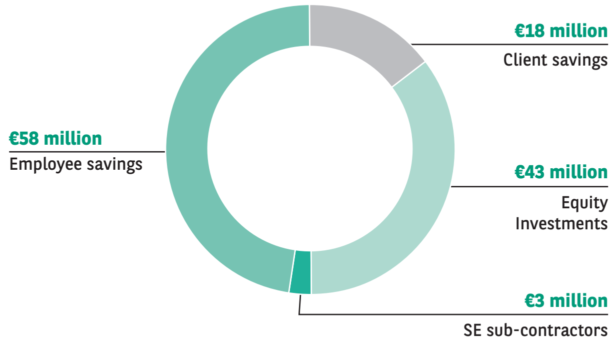
Social enterprises are based on a hybrid model and aim to generate a strong positive social or environmental impact, while seeking economic sustainability. The support that BNP Paribas provides specifically to this business category complies with the Group's commitment to provide financing and investments with a strong positive impact.

### Growth of financing volumes

As at 31 December 2017, including microfinance institutions, total Group support amounted to **EUR 980 million**, and a growth of 10% compared to 2016. More than 1,100 customers and partners benefited from this support. For social entrepreneurship, this concerns 7 countries - 4 domestic markets, as well as Tunisia, Morocco and the United States. This amount includes EUR 581 million loans from the Bank to the Social Entreprises.

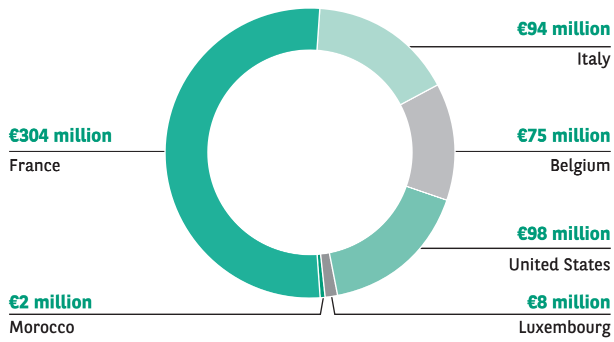
### BNP PARIBAS GROUP SUPPORT FOR SOCIAL ENTERPRISES AS AT 31/12/2017 – EUR 703 MILLION

*Support excluding loans to social enterprises (in €m)*




TOTAL : €122 million

*Loans to social enterprises, by country (in €m)*




TOTAL : €581 million

Social enterprises are specifically supported by BNP Paribas under different forms in these seven countries: short-term financing, standard banking transactions, medium-term financing (e.g. car fleets), creating and developing solidarity and impact funds, as well as skills volunteering and *pro-bono* skills volunteering, enabling social entreprises receiving free counseling and advises, responsible purchasing, etc.

This sector, still in the development phase, requires the cooperation of all the stakeholders. In addition to its traditional financing role, BNP Paribas is positioned at the crossroads of all the ecosystem players, as a facilitator and connector between the different economic players contributing to the development of this sector.

### Mobilisation alongside all the external partners: incubators, private and public financial institutions, support networks

- **In 2017, BNP Paribas co-organised several events with widely-recognised partners** to guide social enterprises towards specific financing solutions such as:
  - **The GSBS (Global Social Business Summit)** – global "Social Business" event organised by the Nobel Peace Prize winner Mohammed Yunus – the Group was in charge of the Finance Track (6 expert workshops for social business coming from all parts of the world).
  - **The Impact Investing Tour** – one year in 9 cities in France, five BNP Paribas workshops at each stage –, and **the Sensetour** – one year in seven cities in Belgium –, which enabled the Group to strengthen its local roots alongside regional social entrepreneurs.

Experts from the Group organised and led over one hundred workshops dedicated to traditional and innovative financing (e.g. Social Impact Bonds), support and guidance, scale changing, measuring impacts, solidarity-based saving, making more than 5,500 people in 10 countries aware throughout the different events.

- Furthermore, BNP Paribas is **a founder member of** *"Fondation La France s'Engage"*, **a foundation created in 2017** which aims to support the most innovative social and solidarity economy projects and reward them.

### Mobilisation of internal experts in all of the Group's business lines to enhance BNP Paribas offering

- Close collaboration between several of the Group's business lines enabled the Group to meet the needs of new symbolic clients in France, in particular:
  - the **Siel Bleu** group, specialist in prevention or therapy through adapted physical activity, for vulnerable people (the elderly, the disabled, people suffering from chronic illness);
  - the **Groupe ID'EES**, leader in France in the field of inclusion enterprises (catering industry, transport, building, green spaces). ID'EES employs 4,000 people per year and has an average rate of sustainable employment after leaving the organisation of 66.5%.

The French Retail Banking divisions and BNP Paribas Asset Management business lines have provided debt and equity financing for both of these organisations. In addition, Arval renewed the Siel Bleu vehicle fleet.

- **BNP Paribas Cardif invested EUR 20 million in Hémisphère**, a EUR 100 million social impact fund providing emergency accommodation (10,000 new places) and social support for vulnerable members of society. Part of the remuneration of the fund depends on achieving social targets: schooling for children, activating social rights for people taken care of or obtaining permanent accommodation.

## SOCIAL IMPACT BONDS: BNP PARIBAS FRENCH LEADER

The Social Impact Bond is a new financial tool designed to foster social impact. BNP Paribas has developed expertise in these bonds or "Social Impact Contract" in France, which enable private investors to finance programmes that generate social innovation and savings for the State. If these experiments are successful, the public authorities use a part of the savings achieved to reimburse and pay the investors. Today, the **Group is the leader in the field of structuring social impact bonds in France** with over 50% of the market. Examples include: Passeport Avenir (fight against the "school dropout" phenomenon in agricultural environments), Wimoov (mobility solutions to making it easier to gain employment) and Fondation d'Auteuil (protecting children). In addition, education projects in Belgium and the United States are currently being studied.

## DESIGNING AND PROMOTING SOCIALLY RESPONSIBLE INVESTMENT FUNDS (SRI)

In 2017, BNP Paribas Asset Management continued to develop its range of responsible products and services for retail clients and institutional investors. Its expertise is based on two complementary approaches: one of them focuses on engaged issuers (Best in class), while the other, theme-based, targets activities, products and services connected with environmental protection and/or social well-being.

### 30 ESG/SRI labels were awarded in 2017

- For 13 funds (compared with 7 in 2016): the SRI label granted by the French Government. Created in 2016, it aims to give greater visibility to savers in SRI products and to ensure that the products are managed according to sound methodologies, with strong transparency and information quality requirements.
- For 5 funds: the Luxflag Environment label (major involvement in the environmental sector and high-level investor transparency).
- For 2 funds: the Luxflag ESG label (quality of the selection method).
- For 5 funds: the Finansol label (investments in the solidarity economy and microfinance).
- For 5 funds: the CIES (*Comité Intersyndical de l'Épargne Salariale* – inter-union employee savings scheme committee) label.

These labels underpin BNP Paribas Asset Management in its long-term commitment to develop and promote its range of SRI products.

| Funds | SRI label | Finansol | CIES | Luxflag Environment | Luxflag ESG |
|---|---|---|---|---|---|
| Agipi Monde Durable | X | | | | |
| Bnp Paribas Actions Europe Responsable | X | | | | |
| Bnp Paribas Aqua | | | | X | |
| Bnp Paribas Euro Valeurs Durables | X | | | | |
| Bnp Paribas Obli Responsable | X | X | | | |
| Bnp Paribas Social Business France | | X | | | |
| Bnp Paribas Social Business Impact France | | X | | | |
| Maif Investissement Responsable Europe | X | | | | |
| Multipar Actions Socialement Responsable | X | | X | | |
| Multipar Equilibre Socialement Responsable | X | | X | | |
| Multipar Monetaire Socialement Responsable | X | | X | | |
| Multipar Solidaire Dynamique Socialement Responsable | X | X | X | | |
| Multipar Solidaire Oblig Socialement Responsable | X | X | X | | |
| Parvest Aqua | | | | X | |
| Parvest Climate Impact | | | | X | |
| Parvest Global Environment | | | | X | |
| Parvest Green Tigers | | | | X | |
| Parvest SMaRT Food | | | | | X |
| Bnp Paribas L1 SMaRT Food | | | | | X |
| Parvest Sustainable Bond Euro | X | | | | |
| Parvest Sustainable Bond Euro Corporate | X | | | | |
| Parvest Sustainable Equity Europe | X | | | | |

EUR 34.6 billion of SRI assets managed by BNP Paribas Asset Management as at 31 December 2017. **Total SRI assets increased by 38.4% this year**, more than the assets managed by BNP Paribas Asset Management which increased by 1.8% over the same period.

### Confirmed success of thematic funds among retail clients

The funds developed by BNP Paribas Asset Management achieved **record inflows in 2017**. The Parvest Green Bond fund (see Commitment 10: *Partnering with our clients in the transition to a low-carbon economy,*) or Aqua fund illustrate this success in particular. For example, the Aqua fund, launched in 2008, enables investors to support companies that meet the global challenges of the water sector based on three main focus areas: water supply infrastructure, water treatment and sanitation, services for local authorities. Since this fund was created it has raised EUR 2 billion, EUR 323 million of which in 2017 alone.

### A marked increase in inflows

**BNP Paribas Wealth Management** is continuing to roll out its SRI offering with ever-increasing success: the amounts invested by its clients in SRIs totalled EUR 11 billion at end 2017 representing growth of more than 50% per year since 2010.

In Belgium, efforts made to promote SRI by **BNP Paribas Fortis** to its individual customers and institutional clients since 2013 are continuing to bear fruit. SRI products represented 34% of the funds raised in 2017 while the total of the SRI assets under management reached EUR 11.5 billion.

## TAILORED ADVICE AND SUPPORT

### Women's entrepreneurship

224 million women worldwide manage their own company or are in the process of setting one up. In emerging countries, they play a major role in development. In the developed countries, their contribution to creating companies can grow even further as they launch only 20% to 30% of new businesses.

Aware that access to finance is key in business creation, the Group continues to work with women in order to guide and support them with their plans to set up companies through both domestic and international networks. In **Europe**, Retail Banking plays an important role in creating a favourable environment for female entrepreneurship. It:

- directs entrepreneurs thanks to its specially-trained advisors;
- guides them with the help of education workshops and mentoring;
- develops support content under the BNL brand on its website or the BNP Paribas Fortis brand on the bizcover site.

In **Turkey,** TEB has been striving to support women's entrepreneurship for many years through a Women's Banking Department, the "TEB women on air" online training programme on Facebook and the "Grow-up academy", a new coaching programme for women looking to start up in business.

### Start-ups and innovative companies

BNP Paribas is developing an ecosystem designed to promote the development and support of innovative companies. This support, particularly active in our Domestic Markets, comprises:

- **five start-up houses, in Belgium, Turkey, Italy, Luxembourg and France where teams create together every day with FinTech developers, digital operators and start-ups**;
- innovation centres intended to support clients with their innovation projects;
- tailored products and services, in particular capital investment, directly or via funds.

Moreover, BNP Paribas is a **partner** of major events linked to innovation and promoting French start-ups such as **VivaTech**. This year, the Group has added an extra dimension to this support by committing itself to the #PositiveImpact strand. Projects and start-ups having a positive impact are encouraged as they contribute to providing technological and digital solutions for global challenges such as health, education, the climate, food and access to energy.

In total in 2017, over 2,000 start-ups have been supported by the 15 BNP Paribas innovation centres.

### Crowdfunding

Crowdfunding involves using internet platforms to connect project leaders seeking capital with individuals wishing to donate, lend or invest money. The Group is underpinning its growth by forging partnerships in its Domestic Markets. For example, **in France in 2017 BNP Paribas strengthened its partnership with Ulule,** the leading European crowdfunding website which offers an **innovative offering dedicated to entrepreneurs**. People setting up businesses may thus benefit from a mixed offer of both crowdfunding and bank loan: all project initiators having successfully conducted a crowdfunding campaign on Ulule, will be able to benefit, after their request has been assessed, from an additional bank loan for a similar or greater amount (with an upper limit of EUR 50,000).

# COMMITMENT 2: ETHICS OF THE HIGHEST STANDARD

The respect of the most rigorous ethical standards is a prerequisite at BNP Paribas. All Group employees are required to strictly respect all laws, rules and regulations in effect, as well as all professional standards that apply to their activities. In case of conflict between the laws of a country and the ethical rules of the BNP Paribas Group, the Group's employees are required to respect local legislation while at the same time looking for ways to apply and respect internal ethical rules.

## ETHICS OF THE HIGHEST STANDARD

### Code of conduct

In May 2016, BNP Paribas published and distributed its new Code of conduct to all of its employees. It is accessible to everyone on the Group's website. Mandatory online training in the Code of conduct was conducted in 2016, and continued for new hires in 2017.

### The Ethics Committee

The Ethics Committee, created in 2014, met three times in 2017.

Chaired by Jean-Marie Guéhenno, an international relations expert, it is made up of members of the Group Executive Committee and independent outside individuals. The role of the Ethics Committee is to advise the Executive Management in order to ensure that the Bank's activities are in line with the values of BNP Paribas and with the highest standards of professionalism, integrity and ethics. It is an advisory body.

In 2017, the Ethics Committee delivered opinions on the operational implementation of the Code of conduct in numerous Group entities, specifically Retail Banking in France, Asset Management, and Corporate and Institutional Banking. Moreover, detailed presentations were given on the Group's 2017-2020 Development Plan as well as the progress on the Data Protection Programme established to comply with the European General Data Protection Regulation.

Finally, the members of the Ethics Committee were consulted and gave their opinion on the revision of the Group's environmental and social policies aimed at limiting financing and investments in the sensitive palm oil and defence sectors.

### The whistleblowing system

BNP Paribas gives the right to report ethics violations (whistleblowing), with strict confidentiality and a dedicated communication channel. A "User Manual" on the subject is available on the intranet. Every employee has the right to report ethics violations without fear of punishment, dismissal or discrimination for the simple fact of having made use, in good faith, of this system.

### The fight against corruption and money laundering

The Group continues to strengthen its control system to fight against financial crime, especially fraud, corruption, money laundering and terrorist financing. Detecting and preventing corruption are key elements of the professional ethics and compliance framework of BNP Paribas, and more generally of its internal control system.

In 2017, under the Sapin II Law, the Group strengthened its Code of conduct, adding an Anti-corruption Code of conduct that defines and illustrates the prohibited conduct. A disciplinary regime sanctions employees who violate this code.

The fight against money laundering, in particular through the procedures and controls put into place to know your customer and their use of the Group's products and services, aims to ensure that client transactions are free from any form of corruption.

Each employee must comply with the Group's policy on gifts and hospitality.

These policies apply to the Group as a whole and are accessible on the intranet.

### Training

As at 31 December 2017, 96.2% of the 176,441 employees concerned had taken online training on international sanctions and embargoes, while 95.3% of the 176,441 employees concerned received anti-money laundering and financing of terrorism training.

### The location of the Group's offices is driven, not by tax considerations, but in the interest of serving customers around the world

Each year, the Group publishes a detailed report on its locations, showing all relevant data, country by country: net banking income, headcount, results, taxes paid... It is clear from the data that the location of its offices is not driven by tax considerations. Indeed, these choices are guided in the interest of best serving its customers around the world.

Taxes and duties due by the Group amounted to EUR 5.3 billion in 2017. In terms of corporate income tax, the amount of taxes paid globally by BNP Paribas corresponds to 28.7% of its earnings.

To this end, BNP Paribas ensures that its entities do not benefit unduly from privileged tax schemes. Moreover, the Group avoids locations in States or territories considered uncooperative by France or the official bodies of which France is a member (European Union, OECD).

Finally, the tax authorities around the world have all of the information they need to ensure that the Group is making its fair contribution to covering public expenses in every country in which it does business. (See *Information on locations and businesses in 2016*, section 8 of the Registration Document).

## PROTECTING CLIENTS' INTERESTS

Protecting clients'interests is a major concern for BNP Paribas. Therefore, the Group has chosen to set up a dedicated expert group within the Group Compliance Teams. Protecting clients' interests is based in particular on the Code of conduct and the **new "Clients' Interests Protection" global policy (CIP)** (October 2017) which also includes processing client complaints.

### A general, Group-wide policy

CIP covers the whole sale process for a product, and employees (in particular in Front Office and Management) are continuously trained in this area. The correct application of the policy is constantly checked by the Internal audit and Compliance teams.

The general principles of the new CIP policy are:

- products and services that meet the customer's needs and situation;
- clear, accurate, non-misleading information provided to the customer;
- transparent and reasonable pricing of products and services;
- identification and treatment of any conflicts of interest, in order not to cause any damage to the customer.

The commitments are translated into concrete practices deployed in all Group entities, depending on their specific characteristics:

- The **procedures for approving new products and services** incorporate all the compliance issues relating to the protection of clients' interests and provide for dedicated committees to ensure in particular the added value of the product or service for the target customers.
- The structure of the **commercial teams' remuneration**, on which many European and local regulations have been issued in the last few years, is also subject to qualitative criteria aimed at discouraging transactions that are contrary to the customer's interests. In **France**, for example, the teams' remuneration system has, since 2016, combined four types of criteria related to the quality of the customer relationship, business development, management (for the relevant individuals), and compliance with the Compliance and Risk policies. The variable remuneration policy (limited to 20% of overall remuneration) has been designed to protect the interests of customers during the sales process.
- The Group is committed to be exemplary in the **protection of clients' data** (see *BNP Paribas is committed to respecting human rights,* Commitment 8). In **Belgium**, BNP Paribas Fortis created a Data Analytics Practice team within its data processing Department in 2017, as well as a community and a charter to continue improving the protection of its customers' personal data.
- **Dialogue with consumer associations** and other stakeholders is encouraged to gather their opinions on new improvements in terms of protecting clients' interests.
- **Employees** are **made aware** and trained on a large scale about clients' interests: at the Group level, expert seminars for Compliance employees and others concerned by CIP are offered in all entities. Awareness campaigns such as "CIP Days" are conducted for the management of entities and business lines. Moreover, in 2017, a **"CIP Awareness"** online training was updated, and a **"MiFID II Awareness"** e-learning programme was launched.

### Complaints management and mediation

Complaints handling reveals areas for improvement and is a way to convert dissatisfied customers into ambassadors, and as such, is of prime importance to the Bank. Hence its **direct connection to the "Clients' Interests Protection" policy (CIP)** since October 2017.

Most of the Group's business lines have one or more services (internet, telephone, email, etc.) enabling clients to give feedback or make a complaint seven days a week, 24 hours a day. These reactions are taken into account in the development of new products or the improvement of customer relations.

- In **Italy**, thanks to a better organisation (by customer segment) of the BNL banca commerciale (bc) complaint processing Department, the percentage of responses in the time limit increased significantly in 2017, from 69% to 81%.
- In **France**, there is a specific business line for processing customer complaints**. In 2017, the solicitation of customers' opinions, which had previously focused on individual customers,** was included to business customers. The complaint processing system was strengthened by the establishment of a team and a governance dedicated to the early identification and resolution of the sources of customer dissatisfaction.

Many Group entities, such as BNP Paribas Personal Finance, BNP Paribas Cardif, Retail Banking networks in France, Belgium, Italy, Morocco, Tunisia, Senegal, Poland and Turkey or the Arval subsidiary provide access to independent **ombudsmen** to whom clients can turn.

The independent banking ombudsman is an in-house role in France, while in Italy and Belgium, clients have access to the national mediation service organised by the regulatory bodies.

## Transparency of the offer

Helping to protect the clients' interests, their understandinf of banking products and the transparency of the offering are more than ever at the heart of the Group's concerns. The Group is even creating some of its products in conjunction with future users.

- In Belgium, **BNP Paribas Fortis** organised more than 90 "Customer Consults" in 2017. In all, these consultations were attended by 1,150 people and enabled customers to converse with 60 experts, including members of the Executive Committee and CSR experts, to improve the transparency of the dialogue and the quality of the services offered.
- **BNP Paribas Cardif**, the Group's insurance subsidiary, launched a major drive to simplify contracts by writing them in language accessible at the B1 level, according to the common European reference framework for languages. Simple language, common words and short sentences are therefore the criteria for clear and understandable client communication. Since 2015, all countries in which Cardif operates have been involved in this initiative. At end of 2017, 30 out of 32 countries rewrote the contract documents in a B1 language, and eight countries expanded the scope of their approach to all customer communications (sales brochures, correspondence, etc.).
- In France, **Hello factory** (www.hellobank.fr/fr/hello-factory), a programme to jointly shape the bank of the future, has been extended since its launch at the end of 2014. Dedicated to innovation, it encourages interaction between its customers and Hello bank!, the digital bank. For example, in 2017, at the VitaTech international trade show in Paris, Hello bank! customers were invited to talk about their banking relationship experiences (communications, new features, and extra-bank services). At the same time, the co-building platform "BNP Paribas Ideas" was launched and is accessible to all Retail Banking customers through the "MaBanque" website, where they can suggest their ideas for banking innovation. To date, nearly 600 ideas have already been contributed.

## Monitoring customer satisfaction

Customer satisfaction is crucial for adapting the offer of products and services to demand, in order to always **serve their interests as best as possible**. This is why most BNP Paribas business lines monitor customer satisfaction systematically, paying particular attention to how complaints are handled and improving the identification of client dissatisfaction on **social networks**. Thus, any evidence of dissatisfaction related to non-compliance with one or more CIP principles must:

- be recognised, categorised, tracked, and processed (potentially through mediation);
- enable the risks and potential malfunctions, as well as the opportunities for improvement, to be understood;
- establish corrective measures for a better match between the service expected and the service delivered.

In 2017, in Belgium and France, average satisfaction scores held steady: 7.7/10 for BNP Paribas Fortis (versus 7.68 in 2016) and 7.36/10 for French Retail Banking (versus 7.34 in 2016). Outside of these Domestic Markets, an increasing number of retail banks in the Group also measure their customer satisfaction rates.

## The Net Promoter Score (NPS)

The Net Promoter Score is the indicator that measures how much the Company is recommended. The purpose of the "Client & Employee Advocacy" programme, guided by a dedicated team within Retail Banking & Services, is to go beyond mere satisfaction to improve the customer experience. All customer segments are involved: Retail, Private Banking, Professionals & Corporates, etc.

First used at TEB BNP Paribas (Turkey), Bank of the West (United States) and BGZ BNP Paribas (Poland), this method is now implemented within all BNP Paribas International Retail Banking entities. And in 2017, the Net Promoter Score was extended to the Domestic Markets:

- Since 2017, the NPS for French Retail Banking has been continuously measured at mabanque.bnpparibas, and 95% of advisors are now using the customer feedback tool. In addition, all of the bank's customers, whether individuals or professionals, are polled regardless of the type of contact, and their actual responses are sent to the relevant advisors or branch managers.
- In BNL bc, in Italy, an online questionnaire has been sent out to SME customers since the last quarter of 2016 asking them about their relationship with the Bank. 96% of negative reviews are followed up within 48 hours to find out why they are dissatisfied and implement the necessary corrective measures. In 2017, BNL banca commerciale launched a new questionnaire for all of its individual customers.
- Within Arval, a subsidiary specialised in long-term company vehicle leases, the NPS has been deployed since 2013 and the target is to have 100% of the 28 countries in which it operates included in the top quartile (top performers) by 2020.

### ETHICS AT THE HEART OF SUPPLIER RELATIONS

Group purchases amount to nearly EUR 10 billion in expenditures globally. BNP Paribas is developing balanced relations with its suppliers, in line with its commitments.

As a French signatory to the Charter of Responsible Supplier Relations developed by the French Ministry of Economic and Financial Affairs' Inter-Business Mediation body, the Group is committed to traceability in the supplier selection process and information confidentiality. The Purchasing teams monitor the risks of mutual dependence with suppliers, and offer a dedicated appeal process (see *Fostering dialogue with stakeholders*, section 7.1).

Within the Group Purchasing division, a "Responsible Purchasing" team supports buyers and relies on some fifty correspondents around the world.

#### Particular attention to SMEs

The Group deploys specific initiatives to support SMEs. In France, for example, under the partnership between BDDF Entreprises and the *Pacte PME Association*, Group Purchasing has worked on an action plan to support high-performing and innovative suppliers who are SMEs or medium-sized enterprises (see *Supporting SMEs*, Commitment 1). Each year, *Pacte PME* conducts a satisfaction survey of a panel of the Group's SME or medium-sized suppliers in France. Nearly one-third of the Group's purchases are made with SME suppliers.

#### Training for buyers

At end 2017, more than 80% of buyers had completed training on human rights. In addition, buyers receive training on responsible purchases, in particular on diversity and purchasing in the Protected and Adapted Employment sector.

## COMMITMENT 3: SYSTEMATIC INTEGRATION AND MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS (ESG)

Financing and investing in industries with multiple environmental, social and governance (ESG) issues, operating in countries whose legal and governance systems are not at the same level of development, BNP Paribas faces a wide variety of ethical challenges that require increased vigilance when making financing and investment decisions. The appropriate management of ESG risks is of prime importance as it contributes to managing the financial risk of the Group's financing and investments. Its ESG risk management system is part of an overall approach and is based on:

- the development of financing and investment policies managing the Group's activities in sectors with significant ESG issues;
- the respect of the Equator Principles for major industrial and infrastructure projects;
- the implementation of a specific ESG risk assessment framework for its products and services;
- the use of management and monitoring tools for these risks.

Since March 2017, the French law on the Duty of care of parent companies and of companies using sub-contractors (*See Duty of care, section 7.6*) applies to the entire BNP Paribas Group and strengthens the management framework of environmental and social risks, fitting into a continuous improvement process.

### FINANCE AND INVESTMENT POLICIES GOVERNING THE GROUP'S ACTIVITY IN SECTORS WITH SIGNIFICANT ESG ISSUES

#### BNP Paribas strengthens its carbon risk management

Since 2011, BNP Paribas has made fighting climate change its top priority in terms of environmental commitment.

After committing in 2016 to no longer fund any coal extraction projects or coal-fired power plants, nor any companies having ties to those industries and no diversification strategy, BNP Paribas announced in October 2017 that it will no longer fund any projects involving unconventional hydrocarbons, which includes shale oil, shale gas, oil sands, or natural gas in the Arctic. Furthermore, the Bank will no longer support any companies involved in the value chain that generate a substantial share of their revenues from these unconventional hydrocarbons.

These commitments apply to the Group's existing clients and may therefore, in some cases, result in a decision to no longer work with some of them.

In 2017, BNP Paribas pilot tested the impact of an internal carbon price on the gross operating margin of the customers in its loan portfolio. The goal was to evaluate their resilience to the energy transition, to measure and steer carbon risks in the Group's loan book. **This test was conducted on a sample of customers** operating in the eight industries that emit the most greenhouse gases (mining, power generation, oil & gas, transport, real estate, agrifood, cement, and steel), and included **a qualitative analysis of their carbon risks.** Throughout 2018, these analyses, which were carried out during annual reviews, primarily in the North America and Europe, will be extended to the rest of the world to widen the sample, refine the methods, and measure the impact of a carbon price on the Group's customers.

To complement these approaches, in 2017 the Group joined the initiative driven by UNEP FI with 16 international banks that have committed to developing a common methodology to implement the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). Finally, the Group is collaborating with the work of ISO 14097, which will define a frame of reference for evaluating the impact of climate change on financing and investment.

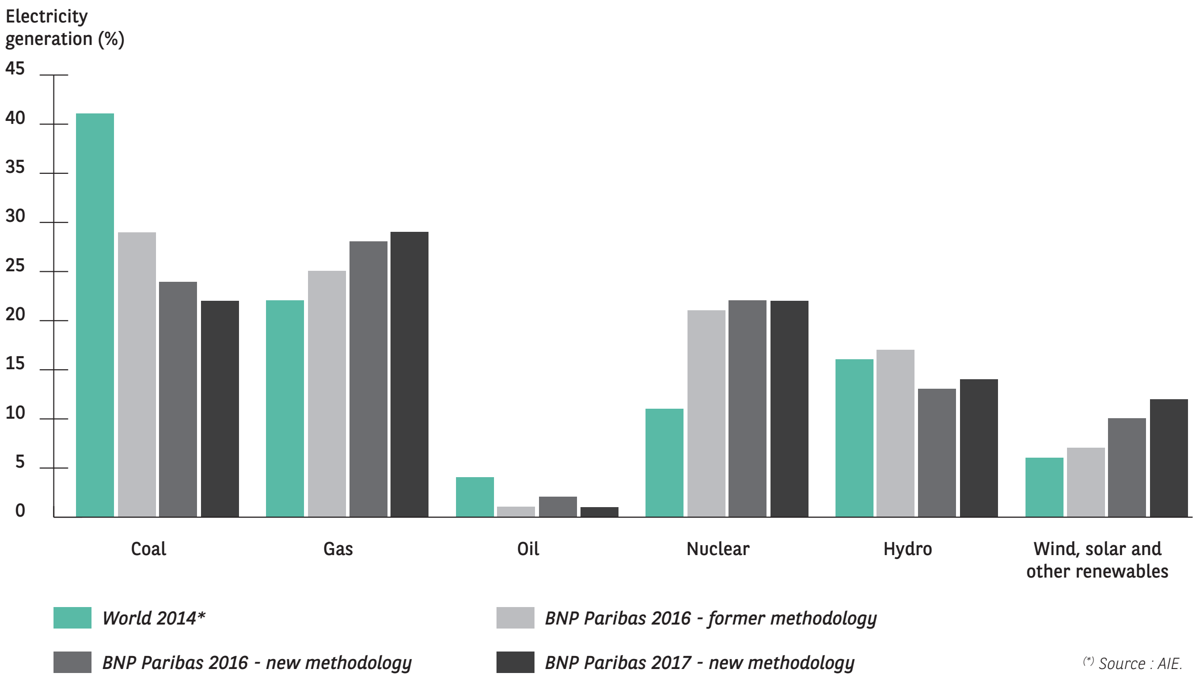
### A better electricity and energy mix than the world average

For the measurement framework of its indirect emissions (scope 3), BNP Paribas has publicised since 2014 the breakdown of primary (fossil fuel extraction) and secondary (electricity generation) energy mixes financed by the Group, and is committed to ensuring that they evolve in line with the International Energy Agency's (IEA) 2°C scenario. In 2017**,** BNP Paribas evolved its calculation methods to make them even more representative of its indirect greenhouse gas emissions. Changes to the methods include widening the calculation scope, using exposure (not authorisation) in calculations, and changes in the weighting system to evaluate customer support. The result is:

- a more reliable picture of the customer portfolio;
- greater consistency with regulatory reporting (expressed as exposure);
- greater consideration of the Group's risk appetite in its commitments with customers;
- optimised management of its energy mix, based on more comprehensive data, each one fully manageable.

To make a comparison with the energy mix reported last year, a pro forma calculation was done on the 2016 energy mix using this new methodology. The 2016-2017 comparison highlights the Group's withdrawal from energy sources that emit the most greenhouse gases.

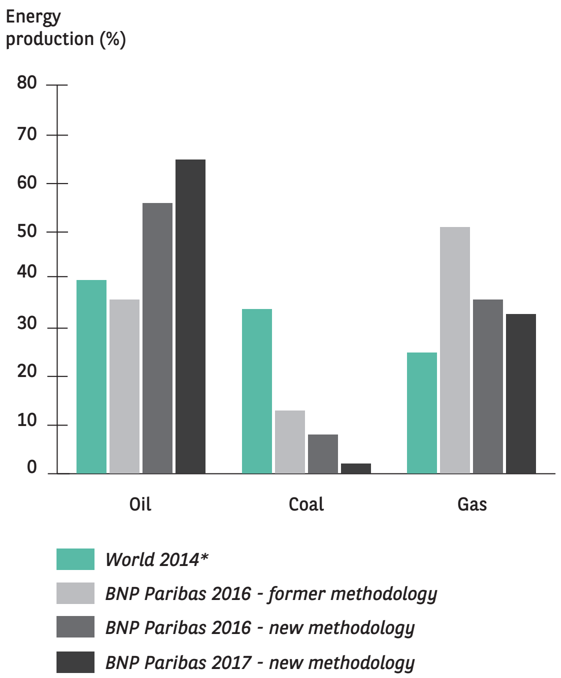
**➤ BNP PARIBAS'ELECTRICITY MIX: FORMER AND NEW METHODS**




With 52% fossil sources (gas, coal and oil) and 26% renewable sources (hydro, wind, photovoltaic and other renewables), the electricity mix financed by BNP Paribas has a lower average carbon footprint than that of the world mix, which consisted of 66.7% fossil sources and 22.6% renewable sources in 2014, according to the International Energy Agency (IEA). The kWh carbon content financed by the Group is 342g of CO2, compared with the world average of 544g in 2015 (Source: IEA).

Calculations with the new method were also done for the primary energy mix financed by BNP Paribas. The main discrepancies are due to the same reasons for the electricity mix. With much less coal and more gas and oil, this mix financed by the Group is also ahead of the world average.

## BNP PARIBAS'ENERGY MIX (PRIMARY ENERGY) IN 2017: FORMER AND NEW METHODS




(*) Source : AIE.

### Implementation of the agriculture financing policy

The implementation in 2016 of a policy to address the Group's financing and investment activities in the agricultural sector paved the way to forging a constructive dialogue with customers in this sector in order to promote best practices.

In addition, the Group has adopted measures so that its financial instruments do not contribute to the destabilisation of the agricultural commodities market.

### Measures to combat deforestation

BNP Paribas has committed to combating deforestation via several industry policies, including those governing the agriculture, palm oil, and paper pulp sectors.

In 2017, its criteria for the palm oil sector were strengthened: its customers must undertake a "No Deforestation, No Peat, No Exploitation" (NDPE) approach, a Roundtable on the Sustainable Palm Oil (RSPO) certification process, and a policy for protecting High Conservation Value (HCV) Areas.

With these measures, along with those begun in previous years, such as Zero Net Deforestation commitment by 2020, the Group has been acknowledged as one of the leading financial institutions by The Global Canopy Program, an international forest protection NGO.

### Defence and security, particularly sensitive sectors

The Group's defence and security policy strictly prohibits certain types of weapons and certain geographic areas. Any transaction in these sectors must be preceded by a Compliance Agreement, after a detailed analysis of each transaction and company, taking account of additional human rights elements provided by the Group CSR Function. The approval level is even higher if the material or destination are judged to be sensitive.

Published in 2010, this policy was updated in 2017: in addition to the exclusion of controversial weapons, it now includes an in-depth analysis of small arms and surveillance equipment. Furthermore, it prohibits the export of sensitive material to countries that are in conflict or present a high "human rights risk", and establishes a new approval circuit for transactions based on the sensitivity of the exporting countries.

### BNP Paribas ends its tobacco-related finance and investment activities

The World Health Organisation's (WHO) Framework Convention on Tobacco Control, the first legally-binding global public health treaty, has highlighted the issue of tobacco use worldwide to "protect present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke". Thus at the end of 2017 BNP committed to no longer support manufacturers of tobacco products, as well as producers, wholesalers, or traders whose revenues come primarily from tobacco.

## UPHOLDING THE EQUATOR PRINCIPLES ON PROJECT FINANCING

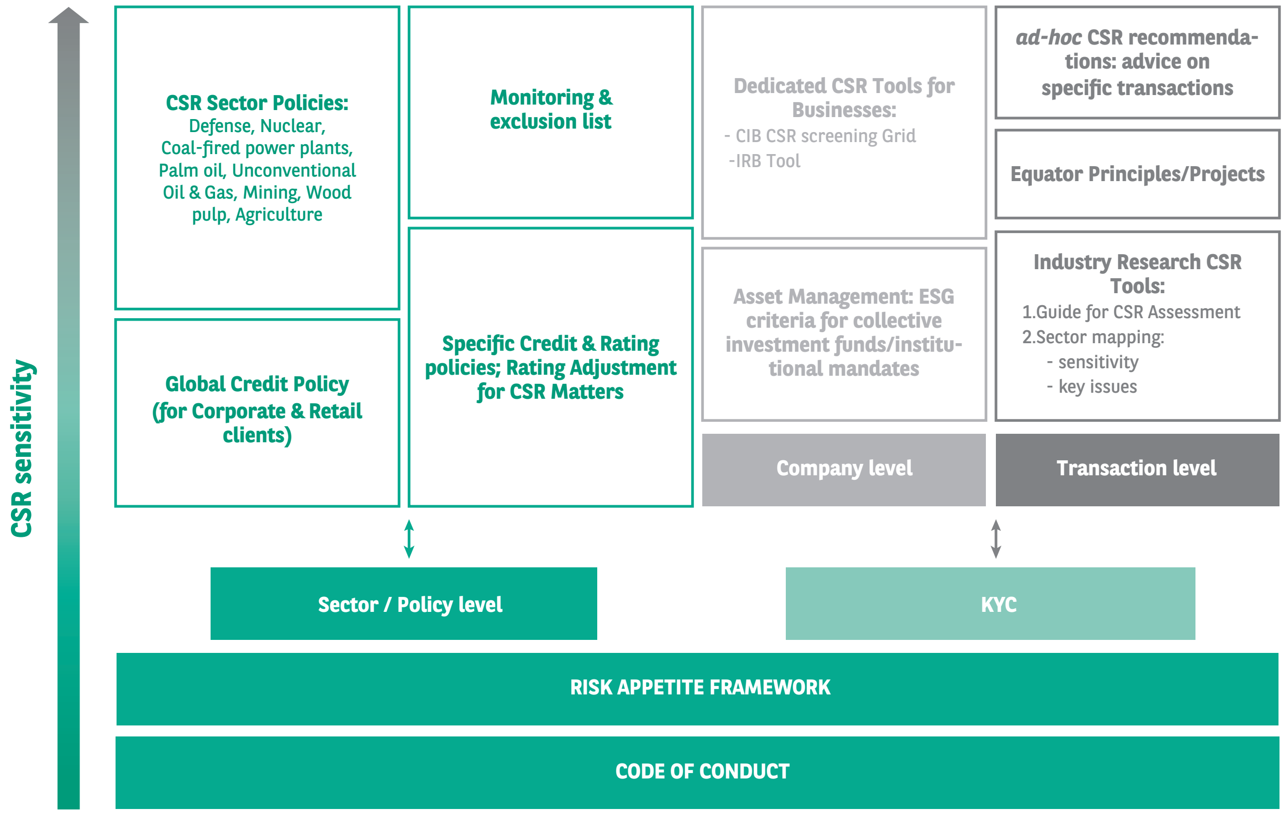
As signatory to the Equator Principles along with 92 other financial institutions worldwide, and in its role as financial service provider and advisor, BNP Paribas works with its customers to identify, assess, and manage the environmental and social risks and impacts linked with major industrial and infrastructure projects. According to these principles, the negative impacts of these projects on communities, ecosystems or the climate must be avoided or minimised, mitigated and/or offset. Projects graded A present significant risks and systematically involve an external review; those graded B present more limited risks; and those graded C present minimal or no risks. The reduction in the number of projects in 2017 was due to a large number of refi nancings, already analysed under the Equator Principles.

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|
| Number of transactions concerned in the year | 30 | 13 | 21 | 26 | 17 | 23 | 8 |
| Number of grade A transactions in the year | 5 | 2 | 3 | 6 | 1 | 2 | 1 |
| Number of grade B transactions in the year | 20 | 10 | 13 | 18 | 15 | 21 | 7 |
| Number of grade C transactions in the year | 5 | 1 | 5 | 2 | 1 | 0 | 0 |

In May of 2017, with the lessons learned from the "Dakota Access Pipeline" financing project, the Group asked the Equator Principles Association, along with nine other member banks in the association, to apply the project financing criteria universally to all countries, specifically regarding the duty to obtain Free, Prior and Informed Consent (FPIC) from the communities impacted. The decision to update the Equator Principles was approved.

## A COMPREHENSIVE ESG RISK MANAGEMENT SYSTEM FOR PRODUCTS AND SERVICES PROVIDED BY THE GROUP

### ➤ BNP PARIBAS STRENGTHENS ITS ESG RISK MANAGEMENT




In keeping with its ESG risk management system, BNP Paribas includes ESG criteria in its decision-making process, and strengthened its control of these risks in 2017:

- the specific credit policy on project financing has been updated, strengthening due diligence requirements with regard to major energy and infrastructure projects, specifically when these present significant risks for local communities or biodiversity;
- at the end of 2017, ESG criteria had been included in 18 specific credit and rating policies. The general non-retail rating policy was also updated;
- ESG criteria were incorporated into "Know Your Customer" (KYC);
- the CIB CSR screening analysis chart was improved specifically to cover human rights issues, particularly employee working conditions and the projects' impact on local communities.

Since 2012, 28,255 employees received online training on at least one of the Group's financing and investment policies.

### Integrating ESG criteria into assets under management

With the double objective of managing risk and investing responsibly, BNP Paribas Asset Management - the BNP Paribas Group's asset management business line - applies ESG criteria to all its collective investment funds. These sectoral policy criteria are based on the UN Global Compact's ten principles in the areas of human rights, labour law, protection of the environment and anti-corruption.

BNP Paribas Asset Management maintains the dialogue with companies that are excluded by its responsible investment policy or on a watch list, as well as for its ESG analyses. At the same time, BNP Paribas Asset Management has defined a strategy that aims at aligning its investments with the overall objective of limiting global warming to below 2°C. Its teams have developed strong expertise: on one hand, in measuring and assessing the carbon risk of its equity portfolios, and on the other, in assisting its customers with investment solutions to de-carbonise their assets.

To this end, BNP Paribas Asset Management has:

- in accordance with its support of the Montreal Carbon Pledge, published in 2017, the carbon footprint of more than 180 equity funds (i.e. all of the open-ended equity funds, excluding funds of funds and equity derivative funds, totalling EUR 51.5 billion, compared to EUR 26 billion in 2016);
- defined a "no thermal carbon" investment policy for its SRI funds and joined the Portfolio Decarbonisation Coalition. This initiative, supported by the United Nations Environment Organisation (UNEP), encourages financial companies to reduce the greenhouse gas emissions linked to their investments. This includes EUR 34.6 billion in low-carbon assets managed by BNP Paribas as at 31 December 2017.

Moreover, to promote best ESG practices in the companies in which the management company and its customers have invested, BNP Paribas Asset Management has consistently exercised its voting rights as a shareholder, voting in 1,490 Annual General Meetings on 19,440 resolutions in 2017. BNP Paribas Asset Management abstained from or opposed some 20.9% of these resolutions. As part of its climate change strategy, BNP Paribas Asset Management has adapted its voting policy and reserves the right to abstain from approving financial statements of a company if the Company fails to adequately report its $CO_2$ emissions and its 2°C strategy. In 2017, these abstentions numbered 23 versus 11 in 2016. BNP Paribas Asset Management has also joined Climate Action 100+, an initiative to gain commitment from the 100 highest greenhouse gas producing companies in the world to improve their governance with regard to climate change.

In 2017, for the third consecutive year, BNP Paribas Asset Management's expertise in responsible investing and integrating ESG criteria in its management processes was recognised by the PRI (United Nations Principles for Responsible Investment), which assigned the management company its highest score, "A+".

Since 2008, BNP Paris Cardif, the Group's insurance subsidiary, has structured its responsible investment policy around ESG and carbon criteria, which are systematically factored into investment or divestment choices. At end 2017, 58% of its general fund's assets (EUR 110.7 billion at 31 December 2017 *versus* 56% in 2016) were screened through an ESG filter. The ESG performance of the portfolio is managed on a quarterly basis and is reviewed by the Asset Management Committee once a year.

BNP Paribas Cardif is doing its part in the transition to a low-carbon economy by funding innovative projects. EUR 1.8 billion were recognised as at 31 December 2017, with the target of doubling green investments over the 2016-2020 period. These include investment in green bonds and infrastructure projects for energy efficiency for example.

### Integration of ESG criteria into supply chain management

ESG criteria are included in the supply chain at several levels, in accordance with the BNP Paribas Suppliers' CSR Charter: first, standard contracts used by the purchasing teams include a clause on respect for the environment and for social practices; second, tender offers issued by Group Purchasing include CSR criteria: thus, in 2017, more than 2,500 suppliers were given ESG assessments. Specific questionnaires were created for purchasing categories with strong environmental or social impacts, such as IT hardware, auto fleets, and consulting services. CSR assessments were also conducted with the support of third-party organisations.

## MANAGEMENT AND MONITORING TOOLS FOR ESG RISKS

### Monitoring and exclusion lists

To identify companies that do not meet these Group requirements in terms of environmental protection or those whose activities have negative social impacts, the Group applies its financing and investment policies. The companies with which the Group no longer wishes to have a commercial relationship are added to an exclusion list; those with which it does not wish to carry out certain transactions are added to a monitoring list. At the end of 2017, these lists comprised 338 companies: 234 excluded companies and 104 under monitoring. Whereas no business relationship whatsoever is allowed with a company on the exclusion list, the companies on the monitoring list are subject to Group measures intended to ensure that they change their practices and reduce their ESG risks in a definitive manner. Lastly, BNP Paribas has created an exclusion list clearly mentioning certain goods and activities that it does not want to finance. These lists are periodically updated using data supplied by customers and analysing the key controversies involving companies faced with serious violations of environmental standards or human rights.

### Transactions handled by CSR teams

In 2017, the Group's CSR teams assessed the ESG risks of 1,251 transactions (financing, contacts, export guidance, etc.) compared with 1,109 transactions the previous year.

### Share of loans to companies subject to an environmental and social management system specific to the concerned sector of activity

In order to manage the gradual deployment of ESG risk management approaches specific to the different sectors, the Group annually monitors the share of loans to companies governed by this system. In 2017, the share of loans stood at 54% compared with 28% in 2016, the reference year for this key CSR performance indicator of the Group. This increase is mainly due to a more systematic rollout of CSR screening.

### Operational control plan

In order to ensure that ESG risk management tools are strictly applied in all entities and business lines, the Group deployed a CSR operational control plan in 2015. The system deployment was widespread in 2017. It ascertains that the operational measures put into place at every level are adequate, and initiates a continuous improvement dynamic, necessary for the proper management of ESG risks.

# 7.3 Social Responsability: developing and engaging our people responsibly

The Group is deploying the 2020 HR Strategy, which seeks to ensure the development of employees to meet the business needs of tomorrow. The other highlights of 2017 were the continued implementation of new ways of working and manage, the signature of the European agreement on stress prevention, awareness-raising on harassment and sexism, and the commitment on maternity. The Group is thus consolidating its three ambitious and proactive commitments:

- Commitment 4: Promotion of diversity and inclusion in the workplace;
- Commitment 5: A "Good place to work" and responsible employment management;
- Commitment 6: A learning company supporting dynamic career management.

## THE 2020 HR STRATEGY

The 2020 HR Strategy seeks to better meet the expectations of employees, and offer them an HR experience that is smooth and proactive, so that they will recommend BNP Paribas as a good employer.

In 2017, a significant effort began in cooperation with the managers of different business lines to define the future skills necessary for the Group's transformation and for the future needs of recruitment. During this forward-thinking work, the priority given to internal resources is clearing confirmed, and the development plans for employees are oriented firstly towards knowledge that will be necessary in the coming years. A skills catalogue, shared throughout all of the countries where we operate, is now available.

On the new "**About Me**" interface, currently being deployed, the employees can now list and evaluate their skills, as well as express their preferences in terms of employment opportunities (desired field, business line, and location). This will help to directly target them with customised job offerings and personal development.

The deployment of positive leadership, a key factor in the changes to come, is encouraged, including using immediate feedback, which simplifies the professional evaluation process.

The emphasis is placed on developing a friendly working environment, encouraging employee responsibility and motivating them through a more collaborative, cross-functional and flexible approach to working together based on mutual trust, fairness and respect.

## "LEADERSHIP FOR CHANGE"

The main goal of the "Leadership for Change" (LfC) initiative launched in 2014 to support the Group in its transformation is to bring the 500 members of the Group's cross-functional Executive Committees to work together on "Our Shared Convictions: our mission and values". It also aims to foster a feedback culture due to a common tool and develop a common leadership vision.

Two working groups, composed of forty LfCs, have been launched, each sponsored by two Executive Committee members. The aim of each working group is to begin and speed up the implementation of two key themes of the Group's mission and vision. The proposals of the two working groups were presented at the G100 in January 2018.

## LISTENING TO EMPLOYEES THROUGH THE GLOBAL PEOPLE SURVEY (GPS)

The participation rate concerning the Group commitment survey continued to increase reaching 76% in 2017 (+4 points compared with 2016 and +24 points versus 2010) with 175,093 comments gathered.

Pride in belonging increased to 84% (+1 point), along with commitment to the Group's objectives (71%, +2 points) and its values (82%, +1 point). The employees observe a better fit between the management's values and decisions (67%, +4 points) and expressed increased confidence in the decisions made by Executive Management (69%, +3 points).

The ability of the management to give a sense of direction (clear orientations) was confirmed with 71% (+1 point). The Code of conduct is clearly understood and taken onboard (92%, new question in 2017) as for ethics and day-to-day compliance (91%, +2 points).

The feeling that the businesses are striving to improve customer service was up (76%, +1 point) but products and services are still challenged (42% with a favourable opinion, -1 point). Innovation is encouraged (73%, +3 points) and the responsiveness of managers to reply to the teams' suggestions is highly appreciated (73%).

The CSR policy remains a major asset with notable progress made with regard to "its social and environmental responsibility and responsible banking commitments" (73%, +3 points) and respect for the environment (80%, +2 points).

To monitor proper implementation of the commitments undertaken, in particular with respect to the three CSR commitments and their objectives, Group Human Resources compiles a social report, in which human resources from entities in 67 countries responded, representing 95% of Full-Time Equivalent staff (FTEs) managed by the Group at 31 December 2017 (same as in 2016 and 2015).

# COMMITMENT 4: PROMOTING OF DIVERSITY AND INCLUSION IN THE WORKPLACE

Diversity and inclusion in the workplace continue to be promoted due to initiatives implemented across the whole Group in line with the challenges of the new commitment policy.

## A SOLID FRAMEWORK

### Diversity and inclusion governance

The Group Diversity Committee, composed of 39 members representing the Group's different businesses and its Human Resources Department, meets twice a year. Similar committees exist in the different businesses and countries. The manager in charge of Group Diversity is also a member of the Strategic Commitment Committee.

### Agreements to mark the Group's commitments

Promoting diversity and rejecting all forms of discrimination and harassment are at the heart of the Group's CSR commitments redefined in 2015 and the Code of conduct disseminated in 2016. In 64 countries representing 91% of employees, corporate agreements were signed and actions taken to guarantee all employees equality of treatment based on skills and performances.

After Morocco and Senegal in 2016, the BICICI coordinated the signing of the Diversity Charter of Ivory Coast corporates. In Germany, the Group's 13 entities also signed their first Diversity Charter.

### Networks remain dynamic

Employee networks confirmed the key role they play in the deployment of the diversity and inclusion policy. They are continuing their development in terms of both the number of members with over 20,000 members and the creation of new and local networks. They have worked together to organise over 500 events, attended by approximately 15,000 participants.

The networks are positioned on the following themes: professional equality (22 Mixcity, Happy Men networks); networks open to all embracing: multiculturalism (Friends of Africa in Belgium, Hispanic, Asian and African Heritage in the United States, Afrinity in France and Respect in the United Kingdom); sexual orientation (new Pride networks in Germany, Belgium and Italy, the United States, France, Portugal and the United Kingdom), inter-generation harmony (new WeGenerations networks in France, O2 and 35 Beaufort in Belgium), parenting (Parents&Carer in the United Kingdom), disability (United Kingdom and the launch of Ability in Belgium), veterans (Vets in the United States) and inter-religion harmony (Interfaith in the United States).

## GROWING AWARENESS OF OUR EMPLOYEES AND SHARING GOOD PRACTICES

### Training

Awareness training and/or awareness-raising events related to the promotion of diversity and the fight against discrimination have been offered in 61 countries representing 90% of the overall Group headcount. Classroom training on bias and stereotypes has continued to be rolled out. In India, a specific programme was presented to senior managers on unconscious bias.

Coaching/mentoring programmes have been put in place to foster the emergence of female leaders including two initiatives in the "Leaders for Tomorrow" programme with "**Opportunities for Women**" which gathers together 100 female talents, and " **Women on Board**" which aims to better prepare our female talents to gain a place in governance bodies.

At the same time, the business lines continue to develop programmes dedicated to showcasing the skills of almost 1,900 women, like at the Bank of the West, IRB with "**Women in Business**", in India or at CIB.

### Raising awareness

Awareness initiatives were conducted on the occasion of International Women's Day, Diversity Weeks, International Day for the Elimination of Violence against Women, Pride Week, etc. Awareness-raising initiatives on the fight against sexism occurred in 46 countries.

Diversity Weeks provided the opportunity for countries (South Africa (CIB), Belgium, Central Europe, United States, France, Italy, Middle East, Poland, United Kingdom and Brazil for the first time) and subsidiaries to organise a wide range of events followed by thousands of employees through live streams.


### Sharing good practices at the heart of our responsibility

BNP Paribas is meeting the demands of its stakeholders to share good practices, organise workshops, and contribute to studies. Clients, students, members of partner associations or peers of other corporates are also invited to participate in our awareness initiatives.

## MAJOR INITIATIVES IN 2017

### Professional equality

BNP Paribas strengthened its commitment to the United Nations by becoming a partner of "**HeForShe Arts Week**" and also supported the **Women's Forum Global Meeting**.

Wealth Management renewed its partnership with the **Women Initiative Foundation**, **Stanford Graduate School of Business** and **Women Equity for Growth** with employees and female entrepreneurs in 12 countries who all took part in a programme concerning leadership and speeding up corporate growth.

### Promoting the employment and insertion of people with disabilities

In addition to their legal obligations, entities in 49 countries covering 77% of the Group's overall headcount signed collective agreements or took measures in favour of the disabled (recruitment, accessibility, training, awareness raising). Among the approximately 60 countries legally authorised to record disabled employees and following this indicator, there were 4,055 people with disabilities working in 42 countries representing an overall employment rate of rate of 2.0% (2.1% in 2016).

#### NUMBER OF DISABLED EMPLOYEES(*)

| | Disabled Employees | | | Recruitment | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| France<br>(of which BNP Paribas SA) | 1,497<br>(1,203) | 1,722<br>(1,295) | 1,893<br>(1,378) | 57<br>(38) | 80<br>(62) | 75<br>(53) |
| Belgium<br>(of which BNP Paribas Fortis) | 71<br>(71) | 69<br>(69) | 71<br>(71) | 0<br>(0) | 2<br>(2) | 0<br>(0) |
| Italy<br>(of which BNL) | 803<br>(649) | 836<br>(654) | 868<br>(637) | 21<br>(11) | 7<br>(0) | 11<br>(3) |
| Luxembourg<br>(of which BGL BNP Paribas) | 54<br>(53) | 58<br>(49) | 57<br>(41) | 0<br>(0) | 0<br>(0) | 0<br>(0) |
| Europe (excluding Domestic Markets) | 685 | 726 | 777 | 46 | 89 | 126 |
| Rest of the world | 127 | 133 | 148 | 52 | 28 | 33 |
| **TOTAL** | **3,237** | **3,544** | **3,810** | **176** | **206** | **245** |

(*) *Physical headcount taking into account 94% of Group headcount (89% in 2016).*



**In France**, within the framework of its 3rd corporate agreement (2016-2019), BNP Paribas SA achieved its objective with 54 new hires and 2,433 actions taken to ensure personnel remain in employment (+35%) for 520 active employees. The employment rate of disabled personnel increased with an employment rate (direct and indirect) of 3.8% (3.7% in 2016, 3.6% in 2015).

There were numerous vectors of information: circulation of a guide to all employees ("Working together and communicating more effectively") in order to facilitate communication based on the type of disability; 58 awareness initiatives, 20 training sessions, a digital animation broadcast on the intranet, awareness actions with external partners and two roundtable debates with start-up broadcast by live streams. BNP Paribas SA net banking income with the Protected and Adapted Sector remained stable at EUR 1.6 million (EUR 1.5 million in 2016).

For the first year of their agreement **Cardif** and **Factor** publicised their disability policy (conferences, videos) while for its second agreement, **Personal Finance** mobilised its employees for a "**Put your Sneakers**" day in aid of the Association ELA, a charity engaged in fighting leukodistrophy.

In **Italy, BNL** was the first Italian bank to recruit a person suffering from Down's Syndrome for its IT Department. In **Poland**, **BGZ** had audits carried out to optimise digital and premises accessibility. **CIB** and **BP2S** in **Portugal** were recognised by the "Portuguese Diversity Charter Network" for their programmes concerning inclusion of the disabled.

### Origins/internationalisation

162 different nationalities make up the Group's headcount, with 12 of them represented in the G100.

**BNP Paribas CIB** hosted the first international multiculturalism conference in London with more than 140 participants from 23 countries, sponsored by the Bank of the West President and CEO.

### LGBT/SOGI[1]

BNP Paribas confirmed its commitment to the inclusion of people irrespective of their sexual orientation and/or gender identity through its involvement in the drawing up of the new International Code of conduct for businesses published by the United Nations. Jean-Laurent Bonnafé and Jeffrey Krugh (United Kingdom Managing Director) were named in the Financial Times **Outstanding Ally Executives** list which recognises executives who champion equality in the workplace.

UNITED NATIONS HUMAN RIGHTS
OFFICE OF THE HIGH COMMISSIONER

**Fortis** was awarded **the Pink Brand of the Year** (silver) and **BNL** is a partner of the first Italian association to promote an inclusive working environment in which people are respected whatever their sexual orientation or gender identity.

### Age/Generations

In **France**, over 350 people took part in the launch of the **WeGenerations** network aimed at increasing contacts between the young and the not so young. **Fortis** organised its fourth diversity week based on the "**Connecting generations**" theme.

28 "Emerging Talents" took part in the "**One Young World**" summit, a global congress organised in Bogota, aimed at young leaders eager to have a positive impact on global thematics.

### Workplace gender relations

Following the unprecedented citizen and media mobilisation in 2017, BNP Paribas SA reaffirmed its commitment through a message from the CEO and the Group HR Director to the whole workforce concerning the rejection of all forms of discrimination, intimidation and harassment.

French Retail Banking put in place an e-learning programme dedicated to sexism and launched the **Respect U** information application, **Personal Finance** conducted a campaign to combat sexism, and in **Belgium Fortis** is ran the **Respect** campaign against harassment, violence and discrimination for the second time.

Respect'U
BNP PARIBAS


### Parenthood and work-life balance

BNP Paribas maintained its actions to help employees achieve a suitable work/life balance. 85% of the workforce in 43 countries benefited from steps taken to facilitate parenting, in particular through special day-long events designed to enable employees' children to discover their parents working environment in **Wealth Management, CIB** and **BNL** (third year in five cities).

In **France**, employees attended events concerning 360° parenting (early childhood, teenagers, parenting, grand parenting, etc.).

### Promoting and complying with the International Labour Organization fundamental conventions on Human Rights

BNP Paribas does not tolerate any form of slavery or human trafficking. In its Code of conduct, the Group has, in particular, committed itself to promoting the respect for human rights in its sphere of influence and to treat in a dignified manner all employers, who owe each other mutual respect.

BNP Paribas carries out an annual review of countries that are high-risk in terms of human rights[2]. The Group operates in one high-risk country representing 0.3% of its total headcount, and in 25 countries with a worrying situation, representing 18.5% of its total headcount (compared with 5.6% and 13.9% in 2016). Furthermore, 5 employees in the Group are listed as being under the age of 18 but older than 16 (3 in Brazil, 1 in Germany and 1 in the United Kingdom). (For further information, see chapter 7, part 4 – Commitment 8: *Combat social exclusion and support human rights*).

*(1) LGBT: Lesbians, Gays, Bisexuals, Transexuals – SOGI: Sexual Orientation and Gender Identity.*

*(2) Source: Verisk Maplecroft (Human Rights Risk Index) identifies 20 countries "at risk" and 87 countries faced with a worrying situation (compared with 41 and 58 countries respectively in 2016).*

## INTERNAL AND EXTERNAL RESULTS AND RECOGNITION

### Actual professional equality results

The 2020 objective concerning Commitment 4 on the CSR dashboard, which consists of achieving a 25% rate of women in the 500 LfCs, was achieved in 2017 (24% in 2016).

A notable event saw the appointment of a second woman to the **Executive Committee** in October, Nathalie Hartmann, Global Head of Compliance.

The Group continues to increase gender equality in key populations.

| Share of women | | 2016 | 2017 | 2020 Objective |
|---|---|---|---|---|
| Board of Directors | | 7 women out of 14 members, of which 2 elected by employees (41.7% according to the rules set by the Copé-Zimmermann Act). | | - |
| Executive Committee | | 5.5% (1/18) | 10.5% (2/19) | - |
| G100 (Top 100 executives) | | 23% | 26% with 42% of appointments during the 2014-2017 period and 36% during the 2012-2017 period | - |
| "Leadership for Change" (Top 500) | | 24% | 25% | 25% 23% (2018) |
| Senior Management Position(1) | | 27% | 27% | 30% |
| Talents – Leaders for Tomorrow | Top | 40% globally: 32% | 39% globally: 31% | 30% |
| | Advanced | 38% | 38% | 40% |
| | Emerging | 44% | 43% | 50% (2016) |
| Senior Managers(2) | | | | |
| Group(3) | | 31.4% | 31.8% | - |
| in France | | 35.2% | 35.8% | |
| Managers | | | | |
| Group(3) | | 45.1% | 45.3% | - |
| in France | | 48.0% | 48.2% | |

(1) *The Group's Senior Management Positions (SMPs) or senior management comprises employees occupying the 2,500 positions considered by the Executive Committees of all business lines/operational entities/Group functions as being the positions with the most impact on strategic businesses, functions and expertise areas.*

(2) *Group-level Senior Managers (or Senior Executives) – Group level manager (or Executive).*

(3) *Physical headcount taking into account 63% of Group headcount.*



### The internal survey (GPS) remains very positive concerning diversity

The GPS continues to show "a clear vision of the actions carried out by BNP Paribas to promote diversity" (72%, +3 points) and a "support by management of diversity in the workplace through respecting differences": 75% (+3 points).

### External recognition

In 2017, AFNOR renewed the BNP Paribas diversity label in France.

Non-financial rating agencies confirm BNP Paribas' commitment:

- BNP Paribas ranks second out of 25 banks in the **Thomson Reuters Index** (Global D&I index);
- BNP Paribas is also included in professional equality-specific indices such as the **Bloomberg Financial Services Gender Equality Index (BFGEI)** and **Pax Ellevate Women's Index Fund**.

**Cardif** was awarded the "Trophée de bronze" (*Bronze Trophy*) in the *Trophées de l'Assurance* (Insurance Trophies) in the "Civic-Minded and Responsible Innovation" category for its "**Diversity Managers conferences**".

# COMMITMENT 5: A "GOOD PLACE TO WORK" AND RESPONSIBLE EMPLOYMENT MANAGEMENT

Our social responsibility is reflected in particular by our ability to provide employees with a "good place to work", enabling them to benefit from a safe and healthy environment, guaranteeing a suitable work-life balance which should favour a good long-term relationship with the Company.

Concerning CSR Commitment 5, at end 2017, 82% of the Group's employees have 14 weeks' maternity leave fully paid and/or six days' paternity leave fully paid, in line with the 2018 objective (81% in 2016, 74% in 2015). In APAC, eight countries have taken measures concerning maternity leave and all of them are set to offer five days' paternity leave from January 2018. In the United States, Bank of the West introduced six weeks paid maternity or paternity leave in 2017 which will be increased to ten weeks in 2018.

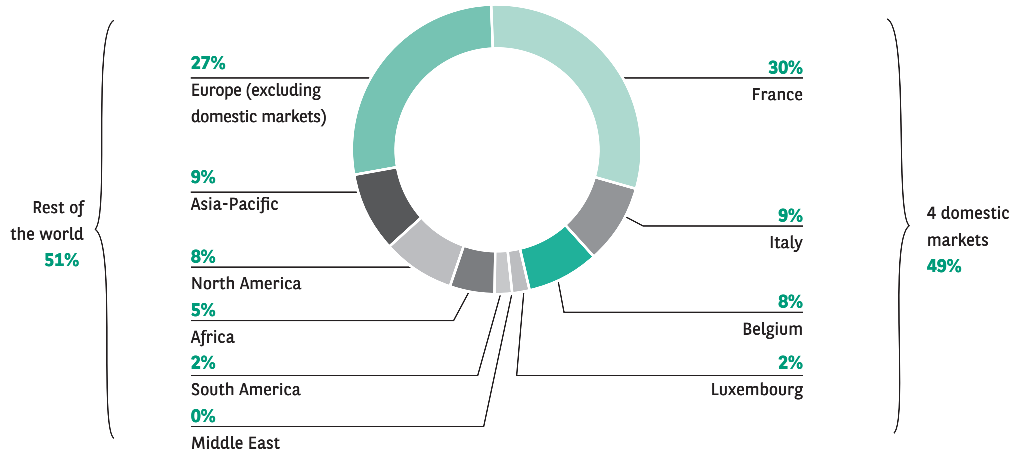
## WORKFORCE EVOLUTION

End 2017, the number of employees managed by the Group had reached 196,128 FTE (Full-Time Equivalent – 189,509 financial FTE[1]), up from 2016 (192,419) and 2015 (189,077). This change is mainly due to strong organic growth in India and Portugal, the acquisitions of Strutt & Parker by Real Estate in the United Kingdom, Compte-Nickel in France, and the financing businesses of GM Europe by Personal Finance in partnership with PSA.

### ➤ BREAKDOWN OF THE WORKFORCE BY BUSINESS LINE


(1) Financial headcount: Full-time equivalents (FTE) at 31 December 2017 in wholly controlled, fully consolidated entities.

## BREAKDOWN OF TOTAL WORKFORCE BY GEOGRAPHICAL AREA

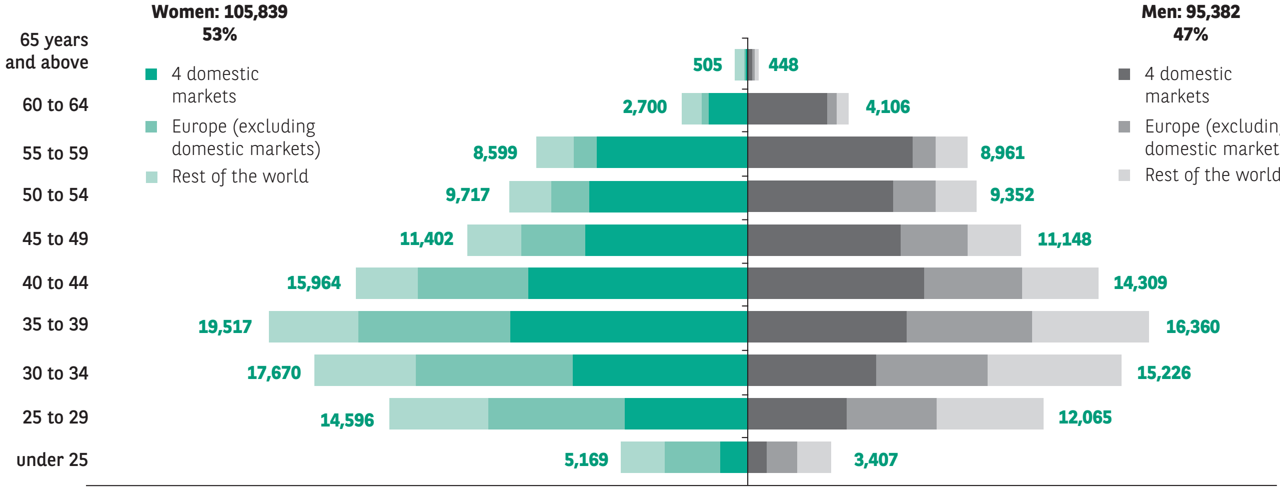



The geographical breakdown of the workforce in 73 countries, including 51 for Retail Banking, remains relatively stable compared with 2016.

## CHANGE IN THE WORKFORCE OVER THE LAST TEN YEARS

| | 2007 | 2012 | 2017 | | |
|---|---|---|---|---|---|
| France | 62,844 | 58,544 | 58,309 | | |
| Italy | 19,901 | 18,583 | 18,673 | 4 domestic markets 95,711 | |
| Belgium | 829 | 18,184 | 15,236 | | Europe 148,976 |
| Luxembourg | 1,422 | 3,984 | 3,493 | | |
| Europe (excluding Domestic Markets) | 41,558 | 45,954 | 53,265 | | |
| Asia-Pacific | 9,409 | 14,128 | 16,707 | | |
| North America | 15,045 | 14,914 | 16,163 | | Rest of the world 47,152 |
| Africa | 6,692 | 8,597 | 9,885 | | |
| South America | 3,287 | 3,589 | 3,882 | | |
| Middle East | 1,700 | 2,074 | 515 | | |
| **TOTAL** | **162,687** | **188,551** | **196,128** | | **196,128** |

### BREAKDOWN OF GROUP WORKFORCE BY AGE, GENDER AND GEOGRAPHICAL AREA(1)




The average age is 40.7 years and the average length of service is 11.7 years (40.6 years and 11.6 years in 2016).

## RECRUITMENT

In 2017, the Group hired 21,921 people on permanent contracts (+8.3%) worldwide, including 3,157 in France, even though the Group systematically favours mobility before external recruitment. With 58% of recruitments in Europe (61% in 2016), BNP Paribas confirmed its position as the European reference bank. Nevertheless, the United States have become the leading recruiting country with 15%, followed by France (14%), India (11%) and Portugal (7%). The United States and India are markets with a high turnover. At Group level, the turnover(2) was 9.6% (identical to 2016).

### Innovating the recruitment process to attract applicants

The Group has strengthened its visibility on social media with **over 400,000 followers on LinkedIn,** including 145,000 employees, finishing in sixth place in the LinkedIn 2017 Top Companies France.

The Group is visible on **Snapchat** with the signing of a global partnership to come closer to the young "Millennials". An HR campaign conducted in 10 countries highlighted the varied nature of businesses in each country.

bnpparibas

BNP Paribas improved **the applicant experience** with a host of new features such as pages of interactive job opportunities (videos, virtual reality module, contact form).

The Group has introduced **innovative recruitment techniques** with a "**#TalentmeetsTalent**" campaign dedicated to digital/data profiles during the Web Summit. **BGZ** in Poland has carried out an experiment for targeted university students to dialogue with employees via a robot.


BNP Paribas was awarded the **Top Employer Europe** certification for the fifth consecutive year in seven countries: Belgium, France, Italy, Poland, Turkey, Spain and Luxembourg.

top EMPLOYER EUROPE 2018
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

**In France**, attractive mesasures and customised and innovative sourcing were put in place in order to support the transformation of the Group.

BNP Paribas launched the "**We Pitch You Choose**" concept (seven events) when managers pitch their needs to an audience of pre-selected applicants who have interviews and can discuss with ambassador employees. This fast-track process enabled the Company to recruit around forty new employees.


*(1) Physical headcount taking into account 100% of Group headcount (permanent contracts + fixed-term contracts).*

*(2) Turnover calculation method: [Employees in FTE (permanent contracts) definitively leaving during the year N]/[FTE headcount (permanent contracts) present at 31/12 in the year N-1 + Hires of employees in FTE (permanent contracts) during the year N].*

BNP Paribas launched the first online Java France challenge together with EditX and a jury composed of 25 influencers. A total of over 1,300 participants tried out the quizzes and took part in the challenge.

BNP Paribas also attended dedicated events such as:

- **VivaTech**, a major European event where BNP Paribas is a key partner;
- MDF17, a challenge for the best developer in France;
- 12 new online "chat" sessions presented the diverse nature of the Group's business lines, with a total of 2,784 participants, 54,195 conversation visits and 1,583 questions/answers;
- 19 "**Jobtalks** " sessions, live video of discussions between applicants and HR and operational experts were launched on Facebook, with 27,506 views;
- 5 **Dogfinance Connect** events[1] on a separate theme (IT, Sales and Marketing, Grandes Ecoles…) took place involving managers and recruitment officers.

## CHANGES IN HEADCOUNT

### CHANGES IN HEADCOUNT: NEW HIRES OF PERMANENT CONTRACTS AND GEOGRAPHICAL DISTRIBUTION[1]

| | Men | Women | 2016 Total | Men | Women | 2017 Total |
|---|---|---|---|---|---|---|
| New hires on permanent contracts | 8,871 | 9,659 | 18,530 | 9,886 | 9,978 | 19,864 |
| Fixed-term contracts converted into permanent contracts | 788 | 931 | 1,719 | 898 | 1,159 | 2,057 |
| **TOTAL** | **9,659** | **10,590** | **20,249** | **10,784** | **11,137** | **21,921** |
| 4 Domestic Markets | 50% | 50% | 5,221 | 51% | 49% | 4,527 |
| Europe (excluding Domestic Markets) | 42% | 58% | 7,071 | 44% | 56% | 8,287 |
| Rest of the world | 51% | 49% | 7,957 | 53% | 47% | 9,107 |
| **TOTAL** | **48%** | **52%** | **20,249** | **49%** | **51%** | **21,921** |

*(1) Physical headcount (Total in FTE on permanent contracts = 21,441)*

### CHANGES IN HEADCOUNT: REASONS FOR EMPLOYEES WITH PERMANENT CONTRACTS LEAVING THE GROUP[1]

| | Men | Women | 2016 Total | Men | Women | 2017 Total |
|---|---|---|---|---|---|---|
| Retirement/early retirement | 1,293 | 1,569 | 2,862 | 1,320 | 1,306 | 2,626 |
| Resignation | 4,969 | 5,842 | 10,811 | 5,602 | 6,200 | 11,802 |
| Dismissals[1] | 1,059 | 1,341 | 2,400 | 1,169 | 1,218 | 2,387 |
| Mutually agreed departures and equivalent | 405 | 722 | 1,127 | 433 | 781 | 1,214 |
| Assisted departure plans | 492 | 434 | 926 | 414 | 360 | 774 |
| Other terminations of permanent contracts (unspecified, end of trial period, death) | 965 | 1,244 | 2,209 | 1,162 | 1,386 | 2,548 |
| **TOTAL** | **9,183** | **11,152** | **20,335** | **10,100** | **11,251** | **21,351** |

*(1) Physical headcount (Total in FTE on permanent contracts = 20,781)*
*(2) In France, the grounds for the 416 dismissals (423 in 2016) were professional failings, unsuitability and misconduct.*

27% of the departures are in the Domestic Markets (35% in 2016), 35% in the rest of Europe (38% in 2016) and 38% in the rest of the world (35% in 2016).

*(1) Dogfinance Connect is an innovative recruitment concept in which candidates (200 to 300) and recruiters network in a friendly environment. There are no CV, no cover letter, just smartphones and tablets, to find the persons the recruiters want to meet.*

## ORGANISATION OF WORKING HOURS

### ➤ TYPE OF CONTRACT(1)

| | Men | Women | 2016 Total | % | Men | Women | 2017 Total | % |
|---|---|---|---|---|---|---|---|---|
| Number of permanent contracts | 89,766 | 95,802 | 185,568 | 96% | 91,876 | 96,801 | 188,677 | 96% |
| Number of fixed-term contracts | 2,488 | 4,362 | 6,851 | 4% | 2,725 | 4,726 | 7,451 | 4% |
| **TOTAL** | **92,254** | **100,165** | **192,418** | **100%** | **94,602** | **101,527** | **196,128** | **100%** |

(1) *Full-Time Equivalent.*

### ➤ PART-TIME(1)

| | Men | Women | 2016 Total | % | Men | Women | 2017 Total | % |
|---|---|---|---|---|---|---|---|---|
| Number of part-time employees | 2,148 | 14,906 | 17,054 | | 2,322 | 15,304 | 17,626 | |
| Of which part-time employees working 80% or more | 1,319 | 10,116 | 11,435 | 67% | 1,346 | 10,084 | 11,430 | 65% |
| % of part-time employees | 2% | 15% | | 9% | 2% | 15% | | 9% |
| % of part-time employees by gender | 13% | 87% | | | 13% | 87% | | |

(1) *Physical headcount taking into account 100% of Group headcount.*

Nearly ¾ of the part-time employees are spread across the four Domestic Markets.

## QUALITY SOCIAL DIALOGUE

BNP Paribas promotes effective social dialogue, particularly on employment issues, giving priority to internal mobility and confirming its commitment to responsible social management.

In 2018, the Group opens negotiations concerning a draft global agreement defining a social foundation regarding essential themes such as the management of employment, quality of life in the workplace, health, gender equality, skills sponsorship and social dialogue.

### The European Works Council

At end 2017, the European Works Council covers 23 countries and more than 67% of the total workforce. BNP Paribas signed an **agreement on work-related stress** on 10 January. It was unanimously approved and signed by all 50 representatives of the European Works Councill along with the FECEC and UNI federations. A first review of its application was made and presented during the autumn plenary session.

This agreement is the third component  of the European Social Charter following the agreements, automatically renewed, concerning employment management in 2012 and professional equality between women and men in 2014. This agreement gave rise to a second report for 2016, presented during the spring plenary session.

### Worldwide

Numerous entities covering 82% of the total workforce across 48 countries, including the countries covered by the European Works Council, have staff representatives and/or union representatives or employees who engage in direct dialogue with management. Almost all European and African countries are represented, as well as several Asian and South American countries. 4,392 official meetings in 42 countries were organised between these representatives and their management, which enabled a total of 271 collective agreements to be negotiated and signed (296 in 2016) and/or benefit from 59 sector-wide agreements (32 in 2016). The agreements signed in 2017, or before and still in force, cover 75% of employees in 36 countries and mainly concern benefits, compensation, work organisation, social dialogue governance, protecting employment, diversity, inclusion and other related themes. In additon, after discussions on these subjects with employees or their representatives, entities in 14 countries took positive actions, including in the Middle East.

#### NUMBER OF OFFICIAL MEETINGS AND COLLECTIVE AGREEMENTS SIGNED

| | Collective agreements | | | Official meetings | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| France<br>(of which BNP Paribas SA) | 106<br>(13) | 149<br>(16) | 111<br>(13) | 3,763<br>(2,375) | 3,814<br>(2,254) | 3,442<br>(2,111) |
| Belgium<br>(of which BNP Paribas Fortis) | 15<br>(12) | 10<br>(5) | 11<br>(9) | 208<br>(184) | 224<br>(180) | 246<br>(202) |
| Italy<br>(of which BNL) | 57<br>(37) | 71<br>(59) | 54<br>(40) | 123<br>(62) | 176<br>(90) | 177<br>(93) |
| Luxembourg<br>(of which BGL BNP Paribas) | 2<br>(0) | - | - | 26<br>(10) | 28<br>(10) | 28<br>(10) |
| Europe<br>(excluding Domestic Markets) | 50 | 51 | 84 | 225 | 445 | 358 |
| Rest of the world | 27 | 15 | 11 | 96 | 127 | 141 |
| **TOTAL** | **257** | **296** | **271** | **4,441** | **4,814** | **4,392** |

### Employment management

Vigeo Eiris[1] ranked BNP Paribas as one of the **Top 5** most responsible companies in terms of restructuring plans, as leading company in banking sector and the third best European company, for the signature of an agreement on employment management in France in 2016. The agreements concerning employment management in France, for three years, and at the European level, are subject to a rigorous application the following principles:

- anticipate the structural and organisational adjustments from the necessary adaptation of the Group's entities, and inform employee representatives at meetings or places of exchange provided as soon as possible with regular updates;
- make best effort to avoid forced departures in the event of organisational changes with significant consequences on employment through the use, in particular, of natural turnover, mobility and voluntary departure solutions.

The CIB transformation plan is implemented at the European level by applying these principles. The headcount should, on the whole, stay stable until end 2018, with reductions anticipated in France, Luxembourg and the United Kingdom.

In **Italy**, the new organisational system put in place with a view to significantly improving the positioning of the brand and offering, reinforcing client value and remaining competitive will result in redundancies in the 2017-2020 period, mainly managed by voluntary redundancy and retirement plans.

## A COMPETITIVE COMPENSATION POLICY

### Compensation and its evolution

The Group's compensation policy is founded upon principles of fairness and transparency, which are notably supported by a single annual review of the compensation paid to all employees. The principles on the composition of compensation and its evolution are common throughout the Group and consistent with the objectives of risk management. Compensation is determined in a way that avoids incentives which may lead to situations of conflict of interest between employees and customers or non-compliance with rules of good conduct. These principles are communicated to the employees by the different business lines. In all countries, the Group applies the laws and regulations in force, including those that might exist on minimum wages, which can be used to compensate employees according to their level of experience, expertise and market practices.

Variable compensation is determined on the basis of individual and collective performance over the year. It can take different forms in the various business lines. The method used to determine individual variable compensation includes a long-term evaluation of quantitative and qualitative performance, which is measured according to the objectives set, and an appraisal of each person's professional behaviour in view of the Code of conduct, of Internal Rules and applicable regulations, and of the contribution made to risk management (including operational risk).

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*(1) Study published on 2 February 2018, http://www.vigeo-eiris.com/corporations-report-management-impact-restructuring/.*

In 2017, for retention purposes, the Group awarded for the 5th consecutive year over 6,300 key employees[1] a medium-term incentive plan (maturing in June 2020), known as the **Group Sustainability and Incentive Scheme (GSIS)** of which 20% of the initial allocation is related to the Group's CSR performance, while the rest is indexed to its operational performance. CSR performance is based on nine objectives reflecting the four pillars of the Group's governance and CSR policy[2].

Since 2016, a new monitoring indicator on the consistent allocation of compensation to men and women has been included in the annual compensation review process, for all the Group's business lines and functions. Measures may also be taken locally to reduce any pay gap between men and women. In **Luxembourg**, a dedicated envelope was reserved as part of the annual process. In **France**, for a number of years, BNP Paribas SA and several subsidiaries have set aside specific budgets in order to support the professional equality policy as part of the Mandatory Annual Negotiations (MAN). The overall budget in France stood at nearly EUR 2 million (unchanged). BNP Paribas SA set aside a complementary EUR 1.2 million budget in order to take remedial action in relation to possible differences in annual variable compensation in respect of 2017, and a new budget to reduce inequalities was allocated as part of the 2018 GSIS plan.

### ➤ AVERAGE YEARLY COMPENSATION[1]

| | 2015 | 2016 | 2017 | Change 2016/2015 as a % | Change 2017/2016 as a % |
|---|---|---|---|---|---|
| France[2] | EUR 52,490 | EUR 53,458 | EUR 54,386 | +1.84% | +1.73% |
| Belgium (BNP Paribas Fortis) | EUR 70,286 | EUR 70,277 | EUR 71,970 | -0.01% | +2.41% |
| Italy (BNL SpA) | EUR 50,835 | EUR 51,689 | EUR 52,099 | +1.68% | +0.79% |
| Luxembourg | EUR 77,968 | EUR 78,621 | EUR 80,660 | +0.85% | +2.59% |

*(1) Gross data for workforce with over two years' seniority, excluding executive managers (G100), paid at 31/12 excluding employers'contributions, but including fixed salary, sales incentives and variable compensation paid throughout the year, excluding deferred payments, and profit-sharing plans.*
*(2) All entities excluding BNP Paribas Real Estate Services, on a 35-hour work week.*

## A compensation policy aligned with regulatory changes[3]

The Group's compensation policy, applicable to all branches and subsidiaries, including those outside the European Union, aims to ensure consistency between the behaviour of employees whose professional activities have a significant impact on the Group's risk profile and the Group's long-term objectives, particularly in terms of risk management. Since 2009, the implementation of this policy has contributed to:

- strengthening governance (with the involvement of the control functions, the Executive Management and the Compensation Committee of the Board of Directors);
- identifying employees qualified as Material Risk Takers (MRT);
- taking into account their behaviour with regard to compliance with the rules of the Code of conduct, and other rules and regulations, and to risk assessment and control, in the allocation of their annual variable compensation;
- deferring a significant fraction of their variable compensation over at least three years (from 40 to 60% deferred for the highest compensation);
- indexing a portion of their variable compensation (over 50% for 2017 allocations in respect of 2016) to the performance of the share and the Group, in order to align the interests of the beneficiaries with those of the shareholders and BNP Paribas;
- linking deferred payment at each due date to the achievement of performance and behavioural conditions, the non-compliance with which may result in the partial or total loss of the annual portion ("*malus*" system).

Information on the compensation policy and on compensation practices as well as quantitative information on the compensation of Group MRT employees in respect of 2017 will be published in a report that will be posted on the BNP Paribas website (http://invest.bnpparibas.com) before the General Meeting of 24 May 2018.

The compensation policy also complies with applicable regulations, notably (i) regulations in relation to customer protection (MIFID 2[4] or European Banking Authority guidelines on compensation practices in relation to the sale of retail banking products) for employees working directly or indirectly with customers, (ii) sector-specific provisions (asset management with AIFMD and UCITS, and insurance with Solvency), or (iii) business-specific regulations with the application of the provisions of French banking law and the Volcker rules applicable to market participants.

*(1) Key employees: senior managers, high-potential employees or key local resources.*

*(2) Since eight out of nine CSR criteria were achieved in 2013 and 2014 with respect to the first two allocations of the international SIS plan, the corresponding portions of the initial allocations were upheld and paid out to the beneficiaries of the plan.*

*(3) European Directive CRD 4 of 26 June 2013, as transposed into French law in the French Monetary and Financial Code, as well as Delegated Regulation 604/2014 on the criteria for identifying risk-taking employees (MRTs) and the European Banking Authority guidelines on sound compensation policies of 27 June 2016.*

*(4) Markets in Financial Instruments Directive*

**In France**, the Group associates its employees with performance as part of profit-sharing and incentive mechanisms. With respect to 2017, an overall amount of EUR 154 million for the Group profit-sharing agreement and of EUR 124 million for the BNP Paribas SA incentive agreement, and yet to be determined at Group level, will be paid to 67,355 employees, compared with respectively EUR 163 million and EUR 189 million paid by the Group to 69,210 employees in 2016, with EUR 32 million as exceptional incentive payments. For **BNP Paribas SA**, the incentive agreement signed for a three-year period in 2016 has three components, with one relating to CSR based on paper consumption per employee, with a target met in 2017. At **BNP Paribas Fortis in Belgium,** part of the variable compensation known as "collective" compensation is linked to sustainable development objectives such as customer satisfaction, promoting diversity, improvement of well-being in the workplace, risk awareness and compliance and the reduction of the Bank's negative impact on the environment. The 2017 objectives were met, and a total of EUR 24.2 million was paid to all employees. In **Luxembourg**, the Bank paid non-managerial employees an incentive premium with respect to 2016, which amounted to nearly EUR 3.8 million.

At end 2017, the percentage of capital held directly or indirectly by Group employees was 4.0% (4.5% at end 2016).

## FOCUS ON PEOPLE

### Working conditions

In **France**, **BNP Paribas SA** has been experimenting new flex office workplaces, with a possibility of teleworking, since 2015. As part of a participative approach, employees, with employee representatives and the occupational health service have been involved in these efforts including 600 people on three sites. A review conducted for 2016 showed a high level of satisfaction, and a significant support for the continued implementation of the model.

At the end of 2017, in the Paris region, nearly 10,000 people work in flex offices, including 6,000 at BNP Paribas SA, with a significant proportion of employees teleworking (35% to 60% depending on the business line), as well as at **Personal Finance** in Levallois, **Leasing Solutions** in Nanterre and, more recently, at **Cardif** in Rueil and **BP2S** in Pantin.

**BNP Paribas Asset Management** installed teleworking in its main locations (Belgium, United States, France, Hong Kong, Netherlands, and United Kingdom).

### Health and safety conditions at work

Beyond legislations on occupational health and safety policy that exist in all European countries and outside Europe, entities in 38 countries, covering almost 60% of the workforce, are negotiating or discussing more comprehensive agreements.

Mindful of the good health of their employees, Group entities in 60 countries (88% of the workforce) have proposed or undertaken awareness-raising initiatives, seminars, training or programmes (Belgium, Morocco, United Kingdom, Senegal, etc.). In most countries, the Group also offers a large number of sporting and cultural activities (participation in races and sports challenges, on-site or nearby sport facilities), either free of charge or for a small fee.

The Group has developed **an international partnership with ISOS comprising two innovations:** it provides local support in terms of employee assistance and support, for business or private trips, in relation to health and safety; in the event of a traumatic event, regardless of the country, it has set up 24/7 telephone support service that makes it possible, on demand, for ISOS to call the employees who are victims of, or witness, an attack.

**The European agreement on the prevention of stress at work** takes place in the context of a banking environment undergoing profound changes, where acting to prevent stress at work is a key issue and contributes to increasing efficiency and improving the health and safety of employees. This agreement has made it possible to define principles and a common foundation that serves as a benchmark for the HR services in the countries/entities, for management and employees. It draws attention to and/or specifies the measures to be undertaken (information, awareness-raising, evaluation, training, support, communication).

In **France**, as part of the 2016-2020 National Plan for Occupational Health, Information and Prevention Visits (IPVs) by nurses are being organised.

The Group signed the **Cancer and Employment Charter**, the purpose of which is to improve employee support, care and feedback in employment, with a reorganisation of work stations where necessary.

### Prevention of occupational risks

In 43 countries (68% of the workforce), entities have taken steps to improve work environment, prevent occupational risks (64%) or promote the assessment of musculoskeletal or ergonomic risks (60%). An internal clinic is installed at **TEB in Turkey** and at **RCS in South Africa**. In **France**, all employees benefit from medico-social follow-up, either via an internal service (20 doctors, 38 nurses and 40 social workers) or via external inter-company services.

### Prevention of work-related stress

In 61 countries, entities representing 90% of the workforce have improved or developed a programme in relation to psycho-social risks and work-related stress, for managers or open to all employees. Listening sessions for employees are also widely available, internally or externally, by telephone or face-to-face.

**In France**, the OMSAD questionnaire is offered to employees during medical visits, and 7,860 tests have been conducted in a year. A new "**Greenpulse**" measurement tool, more operationally-focused on quality of life at work and on stress, was provided online to all employees, with a 60% response rate for this 1st edition. The medico-social service provides support to employees with problems. **Care**, the permanent psychological attention and support mechanism, is now available for all, five days a week during office hours. As part of the **CIB** transformation plan, the **Stimulus** telephone line providing support to employees remains active, and three dedicated awareness-raising sessions (conferences/workshops) were organised.

Among the guides on prevention, such as the one on alcohol-related risks, a new **Guide to identify occupational exhaustion** was published for the HR services. At **Personal Finance**, training on "Integrating psycho-social factors in managerial priorities", set up in 2016, made it possible to train 232 other managers in 2017.

### Public health issues

In 41 countries (61% of headcount), entities improved or developed awareness-raising campaigns on health and nutrition. Free flu vaccination programmes are offered in several countries (**Germany, Japan, Russia**). In **South Africa**, **RCS** has an AIDS awareness-raising policy. In **Gabon**, a uterine cancer screening programme was set up.

In 14 countries, entities carried out initiatives to support employees suffering from addictions (**South Africa, Germany, Belgium, Brazil, Canada, Spain, United States, France, Ireland, Luxembourg, United Kingdom...**).

**In France**, the Group continues to screen for occupational and, more generally, public health risks, including cardiovascular problems and diabetes, and carries out blood donor campaigns and flu vaccination campaigns. Over 2,300 employees participated in 20 prevention days, information conferences (lumbago, eye-strain, tobacco, addictions, musculoskeletal disorders, meditation), sessions at 12 sites for the "Month without tobacco", "Well-being" and "Quality of life at work" weeks with stands (tobacco, ergonomics, sleep apnoea), and workplace first aid training. A medical information bulletin is provided several times a year on the intranet site.

### Harassment and violence at work

The concept of harassment has been explicitly identified in the widely disseminated Code of conduct and a compulsory information e-learning session was attended by 96% of employees in 2016. In France, the Internal Rules of BNP Paribas SA are online (updated in 2015), on the intranet site. They reaffirm that harassment and violence at work will not be tolerated. In particular, they refer to the "Harassment and Violence at Work" agreement signed in 2010 and renewed in 2014.

In 2017, penalties were imposed on the grounds of sexual harassment and/or sexism (including 10 cases in France for BNP Paribas SA which gave rise to 2 dismissals for serious misconduct, 1 dismissal for simple misconduct, 1 demotion, 2 censures and 4 cases that were closed without further action).

### Work-related accidents

Across 68 countries reporting occupational accident data, 897 accidents occurred in 26 countries (79% of the workforce), representing an accident frequency[1] rate of 1.9 (1.6% for 726 accidents in 27 countries across 76% of the workforce in 2016). The severity rate[1] is not significant, nor are the days of absence as a result of occupational illness[2].

### Absenteeism

The Group's absenteeism rate[3], based on 67 countries, is 3.2% (3.2% in 2016 for 55 countries), plus 2.3% from absences for maternity/paternity leave[4](2.5% in 2016).

| | 2016 | | 2017 (1) | |
|---|---|---|---|---|
| *As a%* | Absenteeism rate | Maternity/paternity | Absenteeism rate | Maternity/paternity |
| France | 4.6 | 1.9 | 5.0 | 2.0 |
| Belgium | 4.5 | 0.9 | 4.4 | 0.9 |
| Italy | 3.3 | 2.2 | 3.1 | 1.6 |
| Luxembourg | 2.9 | 1.3 | 2.5 | 1.2 |
| Europe (excluding Domestic Markets) | 2.4 | 5.5 | 3.0 | 4.7 |
| Rest of the world | 1.2 | 0.9 | 1.2 | 0.8 |
| **TOTAL** | **3.2** | **2.5** | **3.2** | **2.3** |

*(1) FTE for 95% of the Group workforce (90% in 2015).*

### Social benefits relating to protection benefits, retirement and savings

In addition to the legal and agreement-based provisions, according to the regulations and practices of the countries in which the Group operates, employees can benefit from complementary social security insurance covering their health costs and those of their families. This provides them with quality protection, and gives them access to defined contribution pension plans (see Financial statements, Note 7 – *Salaries and employee benefits*), which enable them to build up capital during their professional life for their supplementary pension (in addition to any pensions paid by compulsory local plans), and to collective incentive plans designed to associate them with collective performance. The Group offers complimentary social security protection and covers, for more than 91%[5] of the workforce, a share of health costs, as well as of disability insurance and/or death insurance, and improves its benefits locally on a regular basis.

It also offers flexible employee benefits, enabling employees to select, to a certain extent, their level of cover from a range of benefits offered. These benefits are notably available at **BNL** in Italy, at **Fortis** in **Belgium** and in the **United Kingdom** since 2017.

In **France**, the Group supports employees' voluntary saving efforts with an employer's contribution to savings and retirement plans, totalling EUR 72 million (EUR 60 million in 2016). It offers a mandatory mutualised health plan to employees and a protection insurance system that allows employees to adjust their level of protection according to their personal situation.

*(1) The frequency rate corresponds to the number of accidents per 1 million hours and the severity rate, of 0.06% (0.05% in 2016), to the number of days lost per 1,000 hours.*

*(2) 3,833 lost days due to occupational illness, compared to the total number of lost days, i.e. 0.1% (compared to 2,500 days in 2016 for the same rate of 0.1%).*

*(3) The absenteeism rate includes illness, work-related accidents and occupational illness, excluding travel and other authorised absences. For the first time, it was calculated taking into account the method used locally by each entity, weighted in relation to headcount.*

*(4) The maternity/paternity rate includes, where applicable, maternity, paternity and adoption leave.*

*(5) Employees in all countries benefit from the statutory requirement regarding coverage of health insurance fees, or of supplemental insurance in 64 countries (90%). Furthermore, Group entities offer life insurance in 61 countries (89%) and/or disability insurance in 55 countries (87%). This year, Group entitles in 33 countries state they have improved their social benefits coverage of health insurance fees (51%), of life insurance in 27 countries (24%) and of disability insurance in 20 countries (21%).*

## COMMITMENT 6: A LEARNING COMPANY SUPPORTING DYNAMIC CAREER MANAGEMENT

The will to create an environment that is conducive to employees' development also depends on the Group's ability to create, for each of them, a variety of opportunities.

The 2018 objective for commitment 6: the percentage of employees reporting that they were trained at least once (any format, including e-learning) over the past 12 months rose to 86% in 2017 (85% in 2016).

### MANAGING CAREER PATHS

#### Appraisal and development of all talents

The Group's goal is to offer employees an adapted and personalised experience in terms of career paths and professional development.

Digitising and simplifying HR processes makes it possible to focus on its core objectives: supporting their employees and managers.

Performance review was substantially revised and features clear objectives, which are less numerous and can be adapted during the year, and a continuous evaluation through constructive feedback. Each employee has a **Personal Development Plan (PDP)** which is continuously adapted on the basis of the needs identified through feedback and during meetings. Nine new performance review principles were defined and disseminated across the Group.

Thanks to "**About Me**" and a greater visibility of skills, employees are the beneficiaries of personalised job offers and internal mobility.

#### Update on the "Leaders for Tomorrow" Talents programme

As part of its transformation process, by end of 2015 the Group launched the "**Leaders for Tomorrow**" initiative, aimed at identifying, developing and promoting high potential employees in order to ensure succession planning for the Group's cross-functional Executive Committees for Businesses, Functions and Regions (Top 500[1]).

These "Leadership Talents" have been identified by their managers and HR supervisors at the business lines/functions on the basis of "leadership profiles" or of their **skills**, **experience**, **motivations** and **personal preferences**, which are key elements for a successful transformation.

At the end of 2017, nearly 5,000 "Talents" belonging to the three levels (Emerging, Advanced or Top) were identified and benefit from specific support and development mechanisms.

More than 940 Talents of around 40 nationalities from all the business lines/functions participated in events (mentoring, skills sponsorship, seminars, etc.). In 2018, these initiatives will be offered to nearly 800 Talents.

### TRAINING POLICY

#### Forging and strengthening the Group's corporate culture

##### Group campuses, training centres and academies

Like in 2016, the **Louveciennes Campus** welcomed 40,000 people, while carrying out modernisation work that should continue until 2019.

At the **Singapore Campus**, the target was again largely surpassed with 4,200 employees trained through 211 recurring training programmes (90 regional and 121 local).

The Group also has numerous physical and digital training centres, as well as Group academies aimed at reinforcing corporate culture and managerial performance. **In Africa**, several innovative paths have been conceived and rolled-out, such as "**Parcours qualifiant Pro**" which is available to all sales employees from the business customer line on-site or in distance-learning form (video, community). The **BICI Academy** (regional training centre) is one of the first shared regional training structures in sub-Saharan Africa.

The **Leadership & Management Academy** is a cross-functional initiative that aims at disseminating strategic managerial communication and internal and external approaches to current topics, and offers workshops for managers to develop a vision and leadership skills.

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*(1) Leadership for Change: 500 members making up the Group's cross-cutting executive committees.*

## TRAINING: TOTAL NUMBER OF HOURS AND EMPLOYEES(1)

| | 2015 (2) | 2016 | 2017 |
|---|---|---|---|
| Total number of employees trained | 181,665 | 188,759 | 196,912 |
| Total number of training hours | 5,204,929 | 5,370,853 | 4,972,231 |

*(1) Source: My Learning reporting tools (for almost all countries/entities) and "Grenelle 2" (for Bank of the West and as supplement mainly in Germany, South Africa and India, due to the deployment of My Learning during the year); this includes 99% of the physical headcount of fixed-term and permanent contracts in the Group in 73 countries (98% in 71 countries in 2016), even though other employees (apprentices, professional contracts, vocational contracts, casual workers, interns) also benefit from training.*

*(2) Erratum in the table on p. 476 of the 2015 Registration Document published in the first update of the Registration Document of 3 May 2016 p. 87.*

Of the 99% of employees spread across 73 countries who are covered by this reporting process, 98% received at least one form of training (98% in 2016), with an average of 25 hours of training per employee (27 in 2016). The drop in classroom-based training continues as training in alternative formats (videos, quizzes, etc.) and e-learning, which now represents 70% of training, increase sharply, notably due to mandatory training on sanctions and embargoes, fraud, fight against money laundering and corruption, and data protection. A clear increase may be observed in training on "Business line & functions" (+5 points) due to a strong integration of the impacts of digital technologies and the knowledge and culture of the Group and its entities, with a direct effect of "Know your data" training (+8 points).

## TRAINING: OVERVIEW BY METHOD AND CONTENT(1)

| | Training method(2) | | | Training content(3) | | | |
|---|---|---|---|---|---|---|---|
| | Classroom based | E-learning | Other formats | Business techniques & functions | Risks & compliance | Culture & awareness of the Group and its entities | Individual skills & management |
| France | 21% | 66% | 12% | 55% | 23% | 13% | 7% |
| Belgium | 21% | 74% | 5% | 27% | 48% | 14% | 6% |
| Italy | 6% | 83% | 11% | 31% | 19% | 44% | 6% |
| Luxembourg | 33% | 63% | 4% | 23% | 47% | 19% | 10% |
| Europe (excluding Domestic Markets) | 14% | 66% | 21% | 15% | 43% | 18% | 14% |
| Rest of the world | 16% | 63% | 21% | 13% | 56% | 20% | 6% |
| **TOTAL** | **15%** | **70%** | **15%** | **32%** | **33%** | **22%** | **8%** |

*(1) Source: My Development; physical headcount taking into account 94% (87% in 2016) of Group headcount (permanent contracts + fixed-term contracts).*

*(2) % interns per method out of the total number of training sessions.*

*(3) % interns per subject out of the total number of training sessions. An employee/beneficiary may attend several training sessions. The total is less than 100% since undetermined training sessions are not included in the report.*



### A dynamic offer to better develop the skills of today and tomorrow

The Group is developing more agile, shorter and targeted training using technological innovations. The new formats and content are part of the personalised career paths of employees, consistent with their skills and their development needs.

These new formats allow employees to access, independently and in a simple, fluid and secure way, content that meets their needs, notably on their mobile phone (smartphone) which is a priority. Thus, **IRB** rolled out a "**Learning & Development**" application. "**Gamification**"(1) is also a vector for learning. The use of hundreds of videos, as part of a **"micro learning"**(2) approach, has also led to several initiatives, notably at **FRB**. To familiarise employees with the digital transformation, **BNP Paribas Asset Management** developed a simple and enjoyable training platform.

The Group has strengthened its means of developing skills effectively through **on-the-job** practice in a variety of contexts and integrating a multicultural dimension. To this end, partnerships have been established internally (the "**Digital School**", an HR-Communications JV, inter-entity exchanges) and externally (employees have benefited from immersive journeys in digital companies or start-ups).

*(1) Gamification: fun learning process.*

*(2) Micro learning: short training module (for example, 1 minute per day).*

A new version of the "**Let's Get Digital**" portal is being rolled out. Within entities, numerous initiatives reinforce digital training or acculturation, notably a **COOC**[(1)] on Artificial Intelligence at **BPSS** or the roll-out of the "**Digital Campus**" at **BGL**.

### Diversifying the sources of employee development

Several business lines have launched or taken part in internal (BNP Paribas International Hackathon, **TEB Hackathon**) or external hackathons, as well as **learning expeditions**.

#### Intrapreneurship[(2)]

BNP Paribas considers intrapreneurship as a lever for creating multi-faceted values: source of innovation, development of the skills of employees who increase their autonomy and confidence, and dissemination of a positive management approach.

**IFS** created "**Bivwak**", a 1,000m$^2$ space dedicated to innovation which involves 200 employees jointly working with various stakeholders (start-ups, schools, customers and partners) around 10 mono- and multi-business line projects to transform the bank of tomorrow.

Other intrapreneurship programmes are being conducted in the Group, such as "**Lux Future Lab**" in Luxembourg; the "**TEB intrapreneurship programme**" created in 2014 in Turkey, with projects (Blockchain, API, Customer commitment, Employee experience) which are still underway and 336 candidatures generated this year; or "**Home for innovation** ", the epicentre of innovation at Fortis in Belgium.

#### Corporate volunteering work and other Group solidarity activities

The Company Engagement underlines BNP Paribas' desire to contribute to society (NGO, associations) by sharing the skills of volunteer employees.

In **France**, Personal Finance, BNP Paribas Asset Management, Arbitrage and Arval set up, in 2017, similar arrangements to those of BNP Paribas SA, which included a section dedicated to the **sponsorship of skills** for employees at the end of their careers in the Generations Contract agreement of 2016. Thus, 48 employees were able to participate in missions with non-profit organisations lasting 6 to 24 months.

Other community actions are also multiplying across the Group, such as *pro bono* work[(4)], community team-building initiatives, or CSR days. Thus, over 16,000 employees (+ 52%) took part in one or several initiatives, for a total of 165,000 hours (+179%), with civil society organisations carried out during work hours or made up.

## MOBILITY

There were 5,626 transfers between entities and business lines[(3)] in 2017, an increase of 3% (5,469 in 2016). They stood at 2,711 in France (-2% compared to 2016).

The Group remains focused on the strong demand for development among employees expressed in the GPS. In 2017, the mobility rate came to 13.2% (13.9% in 2016).

### Offering numerous and varied opportunities to employees is one pillar of the Group's employer value proposition

Internal mobility is the most common way of filling vacant positions and remains the most important part of career management. BNP Paribas focuses on its cross-functional and international aspect, to offer rich and diversified careers.

The three main challenges are:

- the development of the Company, mobility being a preferred way of adapting resources to changing employment needs and skills;
- individual development, allowing employees to develop their skills and build a motivating career path;
- social responsibility by contributing to responsible employment management.

The principles of mobility have changed, going from 10 to 7 simpler principles. The priority given to internal candidates has been reaffirmed and all vacancies must be published in "My Mobility" tool to ensure the transparency of the process. Equal opportunities and valuing diversity remain essential at every stage of the candidate selection process.

For the 4th consecutive year, the "**Mobility Days**", organised over a two-week period in 35 countries (and for the first time in 9 Asia-Pacific countries), hosted about one hundred events around 27 forums, 31 conferences and 47 workshops, and involved around 8,000 employee participants.



*(1) COOC: Corporate On Line Course (or internal MOOC).*

*(2) An intrapreneur is an employee who develops, in-house, an entrepreneurial project with the agreement and support of the Company.*

*(3) On the basis of 95% of the Group's workforce.*

*(4) Pro bono: Latin expression describing professional work performed voluntarily without any payment or consideration in return (mainly legal services provided to low-income customers).*

## TOTAL NUMBER OF POSTS PUBLISHED AND POSTS FILLED INTERNALLY

| | 2016 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Number of posts published | Posts filled internally | % posts filled/ internally | Number of posts published | Posts filled internally | % posts filled/ internally |
| France | 5,405 | 2,515 | 47% | 5,796 | 2,422 | 42% |
| Belgium (BNP Paribas Fortis) | 591 | 240 | 41% | 1,080 | 954 | 88% |
| Italy | 97 | 16 | 16% | 180 | 31 | 17% |
| Luxembourg (BGL BNP Paribas) | 300 | 149 | 50% | 224 | 113 | 50% |
| United Kingdom | 931 | 307 | 33% | 1,216 | 407 | 33% |
| Ukraine | 2,361 | 793 | 34% | 2,099 | 824 | 39% |
| Poland (BGZ BNP Paribas) | 1,214 | 229 | 19% | 1,465 | 203 | 14% |
| Turkey (TEB) | 249 | 109 | 44% | 320 | 105 | 33% |
| United States, of which | | | | **5,661** | **1,310** | **24%** |
| (BNP Paribas CIB) | 834 | 116 | 14% | 841 | 204 | 24% |
| (Bank of the West) | | | | 4,820 | 1,106 | 23% |
| Other countries (Algeria, Spain, Hong Kong, India, Morocco, Portugal etc.) | 3,307 | 501 | 15% | 4,758 | 557 | 12% |
| **TOTAL** | **15,289** | **4,975** | **33%** | **22,799** | **6,926** | **30%** |

*Source: Extract from e-jobs and Taleo and the complementary declarations of the countries/entities.*

**In France**, nearly 10,300 (19%) internal moves have been completed versus 12,500 in 2016 (23%). In order to streamline the market and promote internal mobility, the promotion mechanism is structured around three major axes:

- promote the work of mobility actors with the introduction of annual mobility days, monthly meetings, networking events, the creation of a MobiLink Business Place;
- give visibility to the business lines and offers, offer MobiLive, redesign ads, develop an internal mobility component with the network of ambassadors, etc;
- provide tools which are adapted to employees for a customised experience, including a "building one's mobility" training module and a career review.

# 7.4 Civic responsibility: being a positive agent for change

BNP Paribas is a committed participant in society: it initiates and takes part in numerous initiatives to combat social exclusion, and promote education and the arts.

In the context of its civic responsibility, the Group uses all the available tools, as a banker, employer and philanthropist, to foster a sustainable and harmonious development of society.

These actions are in line with its three commitments:

- Commitment 7: Products and services that are widely accessible;
- Commitment 8: Combat social exclusion and encourage respect for human rights;
- Commitment 9: Corporate philanthropy policy focused on the arts, solidarity and the environment.

Concerning its civic responsibility, in 2017, BNP Paribas continued to pay close attention to the most vulnerable populations, whether through its product and service offer, or through philanthropy, including supporting the integration of refugees in Europe. An action plan was also launched to better understand and take into account the potential impact that the Group's financing activities could have on human rights.

## COMMITMENT 7: PRODUCTS AND SERVICES THAT ARE WIDELY ACCESSIBLE

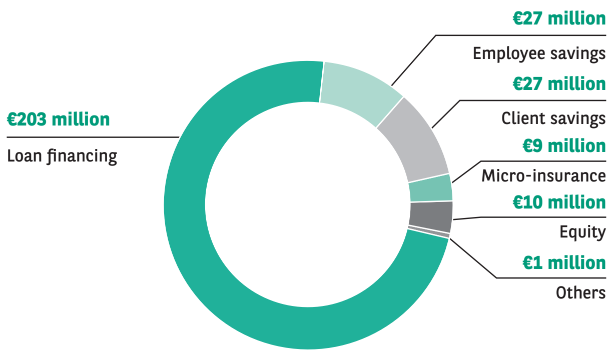
The Group is working to make financial products and services accessible to as many people as possible, because financial inclusion is an important driver of economic development. This financial inclusion approach is supported by financial education.

### GROUP SUPPORT FOR MICROFINANCE

BNP Paribas has a strong and committed presence in this field, working alongside specialist funds and multilateral bodies. **In 2017, the Group's support for microfinance worldwide totalled EUR 277 million**, an increase compared to 2016, supporting 37 Microfinance Institutions (MFIs) in 17 countries.

**2017 also saw an increased number of technical assistance programmes for MFIs, to help them manage their social performance.**

**➤ BNP PARIBAS' SUPPORT FOR MICROFINANCE AT 31 DECEMBER 2017 – EUR 277 MILLION**




BNP Paribas is one of the leading banking partners of the main European microfinance players, such as Adie (*Association pour le Droit à l'Initiative Économique*) in France, *PerMicro* in Italy, microStart in Belgium and Microlux in Luxembourg. For example, personal micro-loan programmes run by *PerMicro*, Italy's largest MFI, which has been active for 10 years, have supported 5,500 borrowers, 60% of whom are female from immigrants descents.

2017 saw:

- enhanced impact measurement, notably by microStart in Belgium. The results show that 75% of the new initiatives were still running 12 months after the first contact;
- the demonetisation crisis in India;
- the first MFI financed in South Africa, Small Enterprise Foundation, dedicated exclusively to women from disadvantaged rural areas.

### PROVIDING ASSISTANCE TO VULNERABLE CUSTOMERS

BNP Paribas takes particular care in disadvantaged customers, whether due to a disability or to their financial situations, and ensures their access to banking services. The Bank acquired Compte-Nickel, 32% of whose customers are unemployed or do not have a regular income, is another example of the Bank's commitment to promoting access to banking services for the most disadvantaged.

#### Customers with disabilities

The Bank has implemented systems across all its locations to accommodate customers with disabilities. In Belgium, BNP Paribas Fortis continues to step up the initiatives introduced in 2012. Over 25% of its branches are accessible to people with reduced mobility. **Since 2017, the Easy Banking voiceover app has been installed on over 400 ATMs, to make banking easier for people with visual impairments**.

### Customers experiencing financial difficulties

The Group is on one hand committed to developing responsible credit and promoting access to loans for as many people as possible, and on the other hand preventing over-indebtedness.

- **Retail Banking in France** has implemented several prevention and support mechanisms for its customers experiencing difficult situations. In partnership with the CRESUS association, 140 budgeting workshops based on the "*Dilemme*" personal finance game were held at various branches in 2017; awareness was raised for more than 1,000 customers.
- **BNP Paribas Personal Finance** offers tailored products and services for people who find it difficult to obtain loans in the traditional banking system. Products and services for those excluded from the traditional banking system have been launched or developed in several European countries: for young people, those employed on short-term or temporary contracts, and the elderly. Likewise, systems which detect and process customers with potential problems have been rolled out in all countries in which BNP Paribas Personal Finance operates: customers who may be financially vulnerable are identified early on and supported prior to the debt recovery stage. A complete assessment has been conducted, and a system implementation kit has been sent to the countries.
- In France, BNP Paribas Personal Finance has developed the most comprehensive system: it identifies customers who may be financially vulnerable, offers independent corporate mediation and, since 2004, has been monitoring three crédit responsable® (responsible lending) indicators. In 2017, Vigeo eiris for the third time rated the good responsibility of **Cetelem** revolving credit and its marketing.
- **BNP Paribas Cardif** has further improved access to insurance for people unable to take out traditional insurance due to their very low income, particularly in Latin America.

## FINANCIAL EDUCATION PROGRAMMES FOR THE PUBLIC

Financial education has demonstrated its effectiveness in combating excessive indebtedness and encouraging economic growth. **In 2017, 154,760 people were thus able to access these programmes**, designed or administered by Group employees.

In 2017, the Bank received several awards for its commitment to financial education. The work done by Bank of the West received particular praise, and the Bank launched innovative programmes, such as *"Les investissements durables, tirez-en profit!"* (Making the most of sustainable investments") in Belgium.

### The programmes target populations such as young people, disadvantaged communities and women

For example, in 2017, **BNP Paribas Personal Finance**, which has been committed for many years now to financial education, introduced **an e-learning tool** to provide better support to young people.

In **Italy**, over 4,000 pupils benefited from **BNL bc's** EduCare programme in 2017.

In the **United States**, employees of **Bank of the West** spearheaded a range of campaigns to improve financial education in disadvantaged communities: the "Teach Children to Save" and "Get Smart About Credit" campaigns have educated low-income families about the importance of saving and the difference between needing and wanting.

In **Turkey**, **TEB** developed three very original programmes exclusively for women:

- the "TEB Women Academy", a free training platform open to all women to help them in their careers, offers motivational presentations by Turkish businesswomen ("Inspiring Women of Turkey") and strategic planning and management workshops, etc., while providing networking opportunities;
- "TEB Women On-Air" training;
- the "Grow-up Academy" (see *Investments and financing with a positive impact,* Commitment 1).

In 2017, a total of 720 businesswomen received training and/or support from the *Academy*, and the Women On-Air online training sessions were watched by over 310,000 people.



# COMMITMENT 8: COMBATING SOCIAL EXCLUSION AND PROMOTING RESPECT FOR HUMAN RIGHTS

A player in combating social exclusion for many years, BNP Paribas works on providing long-term support in the areas of at risk communities, in particular in sensitive urban areas. More broadly, its commitment to promoting human rights continues to gain strength.

## *PROJET BANLIEUES:* AN INITIATIVE TO FOSTER SOCIAL INCLUSION IN DISADVANTAGED URBAN AREAS WHICH HAS BEEN IN PLACE FOR TWELVE YEARS

The BNP Paribas Foundation and the French Retail Banking (FRB) network support community projects in disadvantaged urban areas, working closely with people affected by economic and social exclusion. The BNP Paribas Foundation represents a range of partnerships with renowned associations working to improve the social inclusion of different groups, such as:

- **Young people**, through education and employment. Whether it is combatting school dropouts with the *Afev*, to encourage young people to stay in education, with *Entreprendre pour Apprendre* to provide entrepreneurship training in vocational secondary schools (see *A structured and inclusive philanthropy policy*, Commitment 9) or matching young people with professional mentors who help them to begin their working lives with *Proxité*. The Foundation and its partners are mobilised to ensure that young people in disadvantaged urban areas are able to find their place in the society of the future;

- BNP Paribas has partnered with the *Adie*, a leading association in access to employment *via* micro-loans, to help **residents of disadvantaged urban areas**. The *Adie* received grants totalling over EUR 11 million between 2006 and 2017. From 2015 to 2017, the 16 satellite centres which received support granted over 6,000 professional micro-loans, creating over 4,400 micro-enterprises, (1,766 of which are under development) and over 8,000 jobs. In 2017, thanks to support from the BNP Paribas Foundation, the *Adie* was also able to initiate and announce the results of its first study into entrepreneurship in disadvantaged urban areas. BNP Paribas has renewed its support under the same terms for the next three years.

To complete this initiative, the BNP Paribas Foundation, in conjunction with the FRB network, launched a tender for projects to support local associations, which act as a social link in disadvantaged areas. At the end of 2017, 60 associations had benefited from this for a budget of EUR 450,000.

## BNP PARIBAS IS COMMITTED TO RESPECTING HUMAN RIGHTS

BNP Paribas adheres to internationally-recognised human rights standards. The Group supports the United Nations Guiding Principles on Business and Human Rights, in accordance with the "Protect, Respect and Remedy" framework. It has also chosen to follow the recommendations of the United Nations Guiding Principles Reporting Framework, launched in February 2015.

### Commitment at the highest level

In 2012, the Executive Management signed the BNP Paribas Human Rights Declaration committing the organisation to ensuring that human rights are respected within its sphere of influence, which includes employees, suppliers, customers and communities. The Group also takes human rights criteria into account in its choice of countries of operation. Furthermore, two out of the nine CSR management indicators (2016-2018 indicators) used to calculate the deferred variable remuneration for the 6,300 top managers (see *Our social and environmental responsibility strategy*, chapter 7.1) relate to human rights.

### Specific impacts of the banking industry

Since 2013, BNP Paribas has been taking part in the meetings of the Thun Group, an informal group representing international banks which meets to discuss the application of the "Protect, Respect, Remedy" framework. The potential impacts of the financial sector on human rights are largely indirect (caused by the activity of clients or companies in the portfolio). To ensure respect for human rights, banks are thus faced with specific challenges and increasing complexity.

The Thun Group endeavours in particular to share its expertise and experiences to improve the integration of the UN Guiding Principles in the policies and practices of financial institutions. With this in mind, it published its latest observations in January 2017: the document proposes a conceptual framework to better understand the meaning and scope of Principle 13 in the world of Corporate and Institutional Banking. Moreover, it also focuses, in this context, on the due diligence process (or reasonable diligence) specified by Principle 17. This publication was discussed with many stakeholders in June 2017; as a result, a new version on the position of the banks was published, taking into account the opinions of experts and NGOs. It is available at https://business-humanrights.org.

### Training

The Group focuses on employee training, which is a key component of a comprehensive system for managing this risk. An online training module has in particular been introduced in the company, "Understanding and integrating human rights in companies". This module is mandatory for employees who, in the course of their day-to-day work, may come across potential human rights violations (CSR Team, Risk, Purchasing, sales managers, etc.). The e-learning was introduced in 2016.

**At the end of 2017, 70% of the total target headcount had already been trained, with the goal to reach more than 80% by the end of 2018**. Beyond this priority population, for which it is compulsory, this e-learning module is accessible to all Group employees.

### Identifying salient human rights issues for BNP Paribas

BNP Paribas has identified two "salient" issues in its banking and financial operations: non-discrimination in access to financial services and the right to privacy (protection of customers' personal data). Moreover, its financing and investment operations may pose a risk to human rights, particularly as regards workers'rights and local communities.

These issues were identified through a combination of different sources (think tanks, United Nations, etc.) and following discussions with stakeholders in accordance with its signature in 2015 of the Comité 21 "guiding principles for constructive dialogue with stakeholders".

Furthermore, the management of these risks is outlined in *Systematic integration and management of Environmental, Social and governance risks* and in the *section Duty of care and Modern Slavery Act and human trafficking Statement (section 7.6)*.

## Management of direct salient risks

### Non-discrimination in access to financial services

The Group considers that sustainable economic development promotes wider access to fundamental rights. For that reason, it strives to boost access to financial services in the communities in which it operates.

Through financial education, customers learn about the benefits of savings and budget management. Through its range of specific products and services for the most vulnerable, BNP Paribas is working to protect its customers from over-indebtedness and dependence, making banking services accessible to those unable to access traditional financing and products. Notable examples of this are the Compte-Nickel (in France) or its microfinance activities in 17 countries (see *Products and services that are widely accessible*, Commitment 7).

### Right to privacy

The general BNP Paribas policy on the personal data protection of its customers is applied in all of the Group's entities and in all countries in which it operates. It requires the Group to:

- inform customers in the event of changes to policies or data theft;
- limit data collection to essential personal information;
- clearly state how the personal data will be used;
- ask for customers'consent for the collection, use or sharing of any additional personal data;
- use the best available data protection systems.

The "Data protection" training, designed for the whole workforce, develops the necessary reactions in order to guarantee a secure personal data process throughout the business relationship.

In 2017, BNP Paribas began to change its current system to address all the requirements of the new European regulation on personal data protection that will come into force on 25 May 2018.

## Management of indirect salient risks

The Group uses its influence to strongly encourage its customers and the companies with which it does business to manage their own activities in a way which is respectful of human rights. It is also committed to identifying, assessing (due diligence process), monitoring and improving current performance and working with clients in sensitive sectors to avoid negative impacts on human rights, in their operations and in their supply chain.

**In 2017**, the Group introduced a **programme to strengthen and update the "human rights" risk criteria** in its risk management process (see *Systematic integration and management of Environmental, Social and governance risks*, Commitment 3).

### Workers' rights

The human rights criteria of the CSR policies for finance and investment in sensitive sectors (see *Due diligence and dialogue* below) deal with matters such as employee rights, notably child labour and forced labour, employee health and safety and freedom of association; these issues are also included for projects within the scope of application of the Equator Principles (see *Systematic integration and management of Environmental, Social and governance risks*, Commitment 3).

### Rights of local communities

Another "salient" issue identified – that of local communities' rights – is at the heart of most controversies affecting major industrial projects. In accordance with one of the commitments of the Equator Principles (*see Systematic integration and management of Environmental, Social and* governance risks, Commitment 3), which, in particular, concerns potentially impacted stakeholders and communities, the Group ensures that the negative impacts are avoided and, if necessary, remedied.

Thus, in the sectors identified as highly sensitive, BNP Paribas requests its customers to demonstrate that they have consulted the local population before the project or that they set up a mechanism to address grievances. For example, the human rights criteria of the CSR policies regarding financing and investment in sensitive sectors take account of local community rights issues.

### Due diligence and dialogue

In the event of suspected or identified negative impacts on human rights by a BNP Paribas customer or a company in its portfolio, the Group conducts in-depth due diligence procedures and discusses the matter with the company concerned (see *Systematic integration and management of Environmental, Social and governance risks*, Commitment 3).

# COMMITMENT 9: CORPORATE PHILANTHROPY POLICY FOCUSED ON THE ARTS, SOLIDARITY AND THE ENVIRONMENT

BNP Paribas endeavours to make performance and social responsibility co-exist in a concrete manner, not only in its day-to-day business, but also in its philanthropy activities, which involve increasingly large numbers of employees throughout the world.

## A STRUCTURED AND INCLUSIVE PHILANTHROPY POLICY

The BNP Paribas Group has a structured corporate philanthropy policy, which is both global and local. It respects the initiatives implemented by the teams in the countries in which it operates. The BNP Paribas Foundation coordinates this commitment around three areas of application: solidarity, the arts and the environment (see *Advance awareness and sharing of best environmental practices*, Commitment 12).

In 2017, the BNP Paribas philanthropy budget of EUR 40.2 million was broken down as follows:

- 70% for solidarity;
- 24% for the arts;
- 6% for the environment.

### Solidarity

Corporate philanthropy at BNP Paribas covers a broad range of initiatives to promote social inclusion, education, equal opportunities and social entrepreneurship, in France and worldwide. Different initiatives illustrate the scope and diversity of its commitments:

#### Supporting education in France

Many partnerships are in place to assist future generations and provide educational support to the most disadvantaged young people.

- One example is ***Odyssée Jeunes***, a programme set up in 2009 by the BNP Paribas Foundation and the Seine-Saint-Denis local authority; a few years later, the local services Department of the French Ministry of National Education also became involved. In total, over 40,000 young people have benefited from this initiative since 2009, thanks to a yearly budget of EUR 1 million.
- In the same vein, in 2017, the BNP Paribas Foundation, in partnership with the Retail Banking network, renewed its partnership with ***Entreprendre pour Apprendre* (EPA)** for another three years. The objective of this partnership is to roll out the programme in more vocational education institutions, and boost the skills of young disadvantaged people through the "Innov'-EPA" programme workshops.

#### International community initiatives

From Luxembourg to Morocco to India, a wide range of initiatives promoting quality education are either starting up or operated on a worldwide basis.

For example, in the **United States**, Bank of the West is working to promote education, equal opportunities and social inclusion through a range of partnerships and financial assistance packages totalling EUR 2 million in 2017. The US entity of BNP Paribas supports the following: Junior Achievement (EUR 140,000), an entrepreneurship education programme for college students, and Operation HOPE (EUR 400,000), a finance and entrepreneurship education programme;

#### Dream Up: education through art

This programme enables groups of children or teenagers living in difficult conditions to take up or perfect an artistic pursuit of their choice: music, dance, painting, theatre, etc. Almost 30,000 young people will have benefited from this over a three-year period. In 2017, it was decided that Dream Up would be renewed and expanded from 26 to 30 countries, with a yearly overall grant of EUR 600,000.

**European assistance plan for refugees: an additional EUR 3 million in 2017 and 2018**

Since 2016, BNP Paribas has created a EUR 5 million assistance plan for refugees in Europe to support European countries affected by the humanitarian crisis and assist over a million refugees fleeing from war, persecution and/or extreme poverty. This refugee assistance plan was extended for 2017 and 2018, with a budget of EUR 3 million over the two years. This plan operates in Germany, Austria, Belgium, Spain, France, Greece, Italy, Luxembourg and Poland. In this context, the BNP Paribas Foundation supports the UNHCR in Greece and Serbia. In France, it is also a partner of the *Apprentis d'Auteuil* and Paris *Samusocial*.

### Arts

The BNP Paribas Foundation renewed its commitment to the arts through a dance and jazz philanthropic programme. In 2017, this programme supported the creation and international expansion of arts, the fostering of the regional arts scene and new performance art technologies.

#### Supporting creative endeavour

The Foundation has forged new partnerships with young choreographers, such as Jann Gallois and the (La)Horde collective. It is also working with new young jazz musicians: Pierrick Pedron (sax), Paul Lay (piano) and Cecil McLorin Salvant (singer) who have joined the community of artists supported by the Foundation.

#### International development

In 2017, the Foundation entered into a partnership with leading choreographer Hofesh Shechter for his "Hofesh Shechter Company" but also for his second company "Shechter II", for young generations of dancers. At the same time, the Foundation supports many jazz festivals worldwide, notably alongside the BNP Paribas Group subsidiaries in Africa: TanJazz and Jazzablanca in Morocco with the BMCI, Saint-Louis Jazz in Senegal with the BICIS and Jazz in Carthage, in Tunisia with the UBCI, etc. The Foundation was also involved in setting up the first "Jazz Festival in Bahrain" in 2017.

#### The regional arts scene

The Foundation works to support events throughout France. In 2017, it was the founding sponsor of "*Variations*", the new piano/keyboard music festival in Nantes, in association with the network of local BNP Paribas branches. It was also the founding sponsor of the first "*Biennale internationale des arts du cirque*" in 2014. It renewed its support in 2017. At this edition, 120,000 people watched 63 circus shows held in 27 cities throughout the Provence-Alpes-Cote d'Azur region.

#### New technologies and performing arts

The Foundation supports projects which explore new creation and dissemination opportunities offered by new technologies, notably: the "Dance Archive Project" (Japan) and the virtual reality project of the *Maison de la Danse* in Lyon.

## COMMITTED EMPLOYEES SHOWING SOLIDARITY

BNP Paribas staff leads the way among employees wanting commitment from their company, and help with participating in charity work themselves. This support may take the form of mobilising employees (see *Social Responsibility*, chapter 7.3) or financial support.

### Helping Hand programme: helping Group employees to be committed and show solidarity

BNP Paribas encourages employees to donate their time and energy to community and humanitarian causes. The Helping Hand programme devised by the BNP Paribas Foundation is testimony to this. Since 2003, it has supported general interest projects suggested by employees who volunteer for community associations. Following its success in France, the Helping hand programme is now operating in twenty countries, on all continents. **For 2017, it represents an allocation of EUR 1 million, with almost 300 projects receiving support.**

### "Rescue & Recover" endowment fund: five years of campaigning

Launched in 2012, the "Rescue & Recover" endowment fund, which collects donations, makes it possible to react quickly and effectively worldwide in the event of a humanitarian disaster. Intended for employees, Retail Banking customers in France and retired Group employees who are members of the ADR (*Association Des Retraités*), this fund receives their generous donations, and BNP Paribas matches the amount before paying it to its three partner associations. **In five years, over EUR 3.2 million have been collected, including EUR 520,000 raised in 2017**.

2017 saw emergency interventions in response to the wildfires in Portugal, during and after the hurricanes Matthew, Harvey and Irma from August onwards and following the powerful earthquake which hit Mexico in mid-September. The fund made it possible for emergency care to be provided to the victims and help local populations cope with the material consequences of the disasters. At the end of the year, employees also took part in a campaign against malnutrition in Mali, Niger and Cameroon, three countries heavily affected by food insecurity.

# 7.5 Environmental responsibility: combating climate change

BNP Paribas decided in 2011 that climate change should be the priority focus of its efforts, given its position in the financing of the global economy, particularly in the energy sector. **The "BNP Paribas Commitments for the Environment" which were updated in 2017** reaffirmed this proactive approach while making a formal commitment to **extend them to biodiversity, water, air, natural resources and the circular economy.** Implemented through actions and positions set out elsewhere (see *Systematic integration and management of Environment, Social and governance risks*, Commitment 3), three commitments define the Group's approach to environmental responsibility:

- Commitment 10: Partnering with our clients in the transition to a low-carbon economy;
- Commitment 11: Reduce the environmental impacts of our operations;
- Commitment 12: Advance awareness and sharing of best environmental practices.

**The British NGO ShareAction**, which works to promote responsible investment in all sectors of the economy, **identified BNP Paribas as a European leader in managing climate risks** in December 2017.

Concerning its environmental responsibility, in 2017, BNP Paribas made a very significant commitment to accelerate its energy transition. This included reducing its financing of energy sources that emit the greatest amount of greenhouse gases, by developing its product and service offering to have a positive impact on the climate, and by signing large-scale partnerships to facilitate the direction of financial flows towards the businesses and projects most in line with the 2°C scenario. BNP Paribas' business operations also became carbon neutral in 2017.

## COMMITMENT 10: PARTNERING WITH OUR CLIENTS IN THE TRANSITION TO A LOW-CARBON ECONOMY

The Group assists its customers, whether individuals or businesses, in their transition to a low-carbon economy. To this effect, it uses several levers to cater to their specific needs.

### SUPPORTING THE ENERGY TRANSITION

#### Doubling the support for renewable energy

Year after year, BNP Paribas continues its commitment to financing renewable energy worldwide, and is on course to meet its target of EUR 15 billion in 2020. At the end of 2017, the financing for this sector amounted to **EUR 12.3 billion** (compared with EUR 9.3 billion in 2016). Its teams were involved in the following projects:

- Sweihan: 1.2GW of photovoltaic power in Abu Dhabi. BNP Paribas was the overall coordinator for this first large-scale national solar project (May 2017), at one of the world's lowest electricity prices;
- Essakane Solar: 15MW of solar power in Burkina Faso (November 2017). BICI was appointed as the arranger of this solar power station, which is one of the first in the country;
- 12 MW run-of-the-river hydroelectric power plant in Belgium.

In total, in 2017, the Group financed or advised on renewable energy projects totalling more than 6GW of installed capacity.

#### A significant role in green bonds

In 2017, the Group continued to appear **among the top three players worldwide** in euros **in the green bonds market**, a position that it had planned to achieve by 2018. Since 2012, the Group has been joint lead manager for EUR 10.2 billion including EUR 1.1 billion in equity-linked bonds.

The total value of the green bonds placed in 2017 was EUR 5.3 billion, including:

- one of the three green bonds of SNCF Réseau, EUR 1 billion, 80% of which is to improve the energy efficiency of the rail network;
- the EUR 500 million MuniFin green bond, a credit institution owned by the Finnish public sector.

#### Financial innovation supporting the transition

Since 2013, BNP Paribas has launched 16 ethical indices which have raised more than EUR 4 billion. These solutions give investors a financial return while enabling them to have a positive impact**.** In 2017, the following indices and funds were launched:

- a range of indices intended to promote **the UN Sustainable Development Goals,** including two linked to climate change, by identifying the companies achieving these goals;
- **a new version of the Theam Quant-Equity Europe Climate Care Fund,** which selects assets based on their carbon footprint and the robustness of their energy transition strategy. It raised EUR 250 million in under six months;
- **FTSE Divest-Invest China A share 50 index** does not include fossil fuel companies and selects companies based on their proportion of green income.

### Support for innovative start-ups in the energy transition

As part of the commitment the Group entered into at the end of 2015 to invest EUR 100 million by 2020 in innovative start-ups active in the energy transition, almost EUR 20 million had been invested at the **end of 2017, particularly in Sunna Design**, a Bordeaux-based start-up which develops innovative public solar-powered lighting solutions specifically for restrictive climatic environments and in **a French seed fund** called "smart cities" and "smart energy" Demeter, which supports start-ups at the seed stage in the field of energy transition. These initiatives complement the support of 60 innovation hubs in the Retail Banking network in France (WAI hubs), where 11% of the start-ups supported have an environmental purpose.

## HELPING COMPANIES TO IMPROVE THEIR ENERGY EFFICIENCY

Because energy efficiency must play a major role in reducing $CO_2$ emissions, BNP Paribas has undertaken to significantly step up its action in this area, in keeping with the "Financial Institutions' Declaration of Intent on Energy Efficiency" developed by the EBRD and UNEP-FI, and signed by BNP Paribas in 2015. Its subsidiaries BNP Paribas Real Estate Services, BNP Paribas Leasing Solutions and Arval make a particular contribution.

### Assisting entrepreneurs in their energy efficiency efforts

In its Domestic Markets, the Group offers specific support to entrepreneurs to help them assess, design and finance the work required to boost their energy efficiency.

For example, in **Belgium**, through its Sustainable Energy Services (SES) Department, BNP Paribas Fortis offers real expertise and support to its SME clients in order to design and finance infrastructure for the production of renewable energy or works to improve energy efficiency within their plants. In 2017, this SES Department was involved in projects representing investments of EUR 300 million, compared to EUR 250 million the previous year, including 11 projects in the field of energy efficiency.

### BNP Paribas Real Estate Services, offering companies responsible real estate

In 2017, BNP Paribas Real Estate services, whose business continues to be **benefit from 100% environmental certification on its corporate real estate activity,** committed to improving the energy performance of its portfolio by signing the **Private and Public Commercial Buildings Energy Efficiency Charter**. It was also awarded a "*cube d'or*" in recognition of the energy efficiency initiatives it has applied to its portfolio in France.

For example, the Issy Préférence project, the result of a partnership with Legrand and Netatmo, is the first building in the world compatible with the Apple Home Kit, which aims to save energy by remotely controlling home appliances.

### Arval and BNP Paribas Leasing Solutions, specialising in mobility and low carbon transition

- **Arval's** telematic solution, Arval Active Link, continued development in 2017. It monitors fuel consumption, distances travelled, journey times, $CO_2$ emissions and driving behaviour. Against a backdrop of quickly-changing regulations and advances in vehicle construction, **Arval helps its customers with their product range policy**, choice of fuels (including for electric and hybrid vehicles) and car-sharing schemes.
- In France, **BNP Paribas Leasing Solutions** offers a range of services relating to the leasing of low-carbon vehicles, such as natural gas-powered lorries, support for customers regarding their economic and environmental performance, LEDs with a long-term leasing offer and "green real-estate finance leases" to encourage clients to select energy efficient buildings.

## HELPING PRIVATE CUSTOMERS REDUCE THEIR ENERGY CONSUMPTION

In line with its commitments, the Group continues to expand its current offering to improve home energy efficiency, which targets its private customers, via dedicated products or partnerships with industrial players.

### BNP Paribas Personal Finance: partnerships with industrial companies in several countries

The joint subsidiary of EDF and BNP Paribas Personal Finance, Domofinance, specialising in the financing of energy efficiency in customers' homes, granted over 49,000 loans in 2017. Since it was launched in 2003, Domofinance has financed over 590,000 loans.

In Europe, in 2017, BNP Paribas Personal Finance developed similar partnerships as the one in Portugal.

### Loans dedicated to the energy savings improvement work of individuals

The Group has undertaken several initiatives to help individual customers finance the improvement of the energy efficiency of their homes. For example, in Ukraine, a partnership was signed with the EBRD to offer loans for eco-energy assets and to provide a subsidy in the form of an "investment incentive", able to reach up to 35% of the loan amount.

Following an agreement signed with Engie, BNP Paribas Personal Finance has offered, since March 2017, a subsidised-rate "*Boost Chauffe*" loan for financing energy savings improvement work for an amount of up to €21,500.

## THIRD-PARTY ASSET MANAGEMENT SUPPORTING THE ENERGY TRANSITION

In addition to its carbon risk management system (see *Systematic integration and management of Environmental, Social and governance risks*, Commitment 3), BNP Paribas Asset Management offers **a diversified range of "green" funds** invested, in particular, in alternative energies and energy efficiency. At 31 December 2017, they represented EUR 5.5 billion in low-carbon assets, including:

- Parvest Green Bonds: SRI funds, invested in the green bonds of European companies financing projects to combat global warming (EUR 121 million in assets under management at the end of December 2017);
- Parvest Global Environment and Parvest Climate Impact: SRI equity funds, invested in companies working in renewable energies, energy efficiency, water treatment, or waste management and environmental services (EUR 795 million and EUR 539 million, respectively, in assets under management at the end of December 2017).

## SUPPORT FOR THE CIRCULAR ECONOMY

BNP Paribas supports the circular economy in three ways: the Group finances its stakeholders and, in particular, innovators, it develops the functional economy through its range of financial leases, and it makes commitments as part of its own operations (see *Reduce the environmental impact of our operations,* Commitment 11).

BNP Paribas directly finances a number of circular economy stakeholders in its Domestic Markets, such as the French company Moulinot (specialising in the re-use of food waste through vermicomposting) or Building Integrated Greenhouses in Belgium.

In addition, some of the Group's businesses participate directly in the circular economy. BNP Paribas Real Estate Services has carried out a number of real estate projects in an economically and ecologically sound way with the *Encore Heureux* architects' collective. For their part, Arval and BNP Paribas Leasing Solutions offer leasing services based on the use of a good rather than on its ownership, thus optimising the use of assets and managing all of their assets' life cycles. For example, the *Kintessia* project of BNP Paribas Leasing Solutions is exemplary of the circular economy. As the first B-to-B platform for leasing or selling transportation, construction and agricultural equipment, *Kintessia* is increasing the use of used equipment and the utilisation rate of existing equipment. This project was awarded the 2017 BNP Paribas internal innovation prize.

# COMMITMENT 11: REDUCE THE ENVIRONMENTAL IMPACTS OF OUR OPERATIONS

The reduction of the environmental footprint of the Group's own operations mainly relates to three issues: greenhouse gas emissions (GHG), responsible paper consumption, and waste management. The nature of its activities means that the Group is not a significant source of noise pollution or any other specific form of pollution.

To monitor the successful implementation of measures to limit these impacts with specific objectives, the Group CSR Function pilots an environmental reporting system in 20 countries, accounting for 90% of the full-time equivalent staff (FTE) managed by the Group at 31 December 2017. Around forty indicators are reported on: kWh, $m^3$ of gas, km travelled, litres of water, tonnes of paper, tonnes of waste, etc. The results are extrapolated across the entire Group, and are used to calculate the environmental data disclosed in this section. Following the 2016 reporting campaign, 67 entities received data-based feedback on their consumption and objectives compared to those of the Group.

In 2017, **26** separate **ISO 14001 certificates** were in effect within the Group. This number establishes **BNP Paribas** as **a world leader in the banking/insurance sector** for Environmental Management Systems (EMS). The United Kingdom has introduced a certification programme covering 62% of its workforce as well as Arval and its 15 certified subsidiaries worldwide (France, Italy, Belgium, Czech Republic, Romania, United Kingdom, the Netherlands, Hungary, Spain, Germany, Luxembourg, Poland, Russia, Slovakia, Morocco). In addition, 68,732 employees work in France and Belgium in offices covered by an environmental management system.

At 31 December 2017, there were no provisions and guarantees for environmental risks.

## A CARBON NEUTRAL BANK ACROSS ITS OPERATIONAL SCOPE

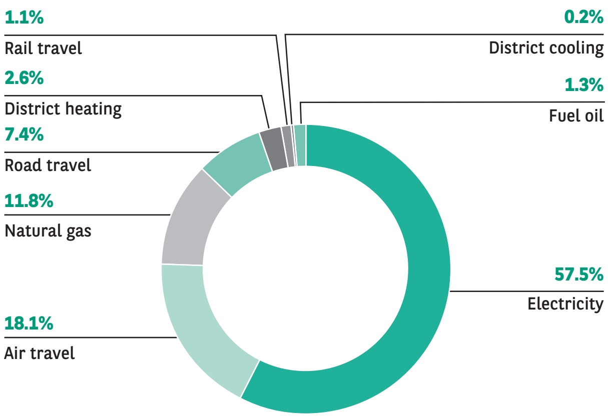
As part of its policy to combat climate change, in 2017 BNP Paribas became a carbon neutral bank at all levels of its operations through three complementary actions:

### The reduction of its $CO_2$ emissions

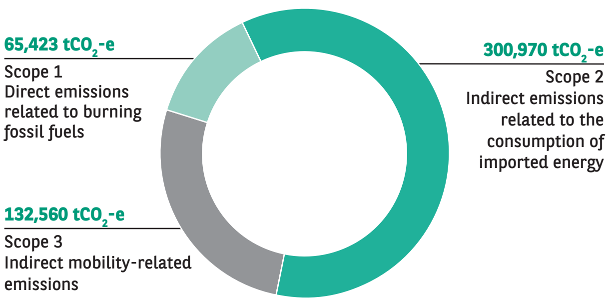
The Group's target is to reduce greenhouse gas emissions per employee by 25% by 2020 as compared to 2012: in other words, to go from 3.21 to 2.41 tonnes of $CO_2$ equivalent per employee in 2020. GHG emissions are measured by converting the energy consumed in buildings and employee business travel into tonnes of $CO_2$ equivalent ($tCO_2$-e, including all six greenhouse gases covered by the Kyoto protocol).

In 2017, the Group emitted a total of 498,953 $tCO_2$-e, or 2.54% $tCO_2$-e/FTE, which represents a 6.6% reduction compared to 2016. 73.5% of these emissions stem from building energy consumption and 26.5% from business travel. There are three mechanisms to reduce them: the energy efficiency of buildings, the energy efficiency of IT equipment, and business travel optimisation. In order to achieve the 2020 objective, a "Carbon Reduction 2020" programme has been implemented in order to share best practices in the seven countries which are the highest Group emitters (France, Belgium, Italy, United States, Turkey, Poland and the United Kingdom). BNP Paribas's carbon management performance was evaluated by the Carbon Disclosure Project in 2017 resulting in a rating of A- for the transparency and quality of its reporting.

### BREAKDOWN BY TYPE OF GREENHOUSE GAS EMISSION




### BREAKDOWN OF THESE EMISSIONS BY SCOPE OF GHG PROTOCOL/ISO 14064-1 IN $TCO_2$-E




- The Group's **energy consumption** was 1,454 GWh in 2017 with an average of 195kWh/sq.m. compared to 201kWh/sq.m. in 2016. This reduction is the result of several initiatives taken to optimise the energy efficiency of buildings together with favourable climactic conditions in 2016 in the majority of countries where the Group operates.
- In terms of **Green IT**, BNP Paribas looks to virtualise servers and work stations in order to share resources and to reduce the associated electricity and cooling consumption. It also installs servers in cooled bays with confined cooled aisles to further optimise ventilation.
- **Business travel** by Group employees is the other major source of GHG emissions. In 2017, 899 million km were travelled, i.e. 4,587km/FTE (of which 62.8% by air, 13.7% by train, and 23.4% by car), compared with 4,730km/FTE in 2016; i.e. a 3% year-on-year reduction of km/FTE. This reduction stems from the widespread use of webconferences, videoconferences and even telepresence. Furthermore, new and more restrictive travel policies have been set up: they encourage employees to use public transport rather than their company vehicles, or to choose economy class over business class when travelling by plane.

### Use of low-carbon electricity

The Group's second commitment as part of the carbon neutrality programme is to progressively increase the use of low-carbon electricity for all its needs, in all countries where this is possible. In 2017, renewable electricity represented 26.2% of electricity consumed in the Group's buildings. It came either from the purchase of renewable electricity certificates, or from the direct consumption of renewable energy produced by the Group's buildings.

### Offsetting irreducible emissions

Each year, BNP Paribas will offset its irreducible $CO_2$ emissions from the previous year for the Group as a whole. In 2017, offsetting all of its 2016 emissions was actually carried out as part of the Wild Life Works' Kasigau project. This **conservation and restoration programme** covering 500,000 hectares of forests **in Kenya** also funds access to health services, water and education for local populations. A long-term partnership with the **GoodPlanet Foundation** was also signed in 2017 in order to set up 13,000 bio-digesters in India. This project will provide its first Gold Standard-labelled carbon credits in December 2019.

Lastly, **adaptation to climate change** is also an issue taken into account by the Group. On the one hand, through its Business Continuity Plan, which integrates the management of extreme weather events and their impact on the Group's sensitive infrastructures, in particular on its data centres. On the other hand, scientific research funded by the BNP Paribas Foundation as part of its Climate Initiative programme also contributes to this work (see *Advance awareness and sharing of best environmental practices*, Commitment 12). An example is the Invacost project, which aims to study the risk of insect invasion and the main corresponding problems for the environment, the economy and human health.

## CONSUMING LESS PAPER AND USING RESPONSIBLY SOURCED PAPER

The Group has committed to reducing paper consumption per employee by 30% in 2020 compared to 2012, moving from 165 to 115kg/FTE. In 2017, 22,163 tonnes of paper were consumed, i.e. 113kg/FTE versus 122kg/FTE in 2016. The target 30% reduction compared to 2012 was therefore surpassed. The data includes paper used internally, paper for customer relationship purposes (letters, bank statements, etc.) and other types of paper: envelopes, cheque books, etc. To extend this target long term, the reduction of consumption is often based on the replacement of individual equipment with shared equipment. The Group also focuses specific attention on innovations achieved through digitalisation in order to reinforce the migration of its relationships with customers to electronic media, thus reducing paper consumption.

Lastly, the paper policy aims to bring to 80% in 2020 the share of responsibly sourced paper (from recycling or sustainably managed forests, i.e. more than 50% recycled or PEFC or FSC labelled). In 2017, 67.1% of paper was from responsible sources compared to 64.6% in 2016.

### REDUCING WASTE AND RECYCLING IT WHEREVER POSSIBLE

In the context of its actions to promote the circular economy (see *Partnering with our clients in the transition to a low-carbon economy,* Commitment 10), the Group committed to **making progress each year on the amount of waste recycled** by employees, mostly paper, and on the quality of data in this respect. More reliable information concluded that a total of 26,432 tonnes of waste generated by the Group was collected, or 135kg/FTE. 41% of the total volume of waste is recycled, or the equivalent of 55kg per employee.

Since 2011, the Group also has an **IT equipment processing** policy (PC, servers, screens, etc.) which makes it possible to manage the associated environmental and social risks. Its goal is to give them a second life (donations or resale) whenever possible, while ensuring their traceability. Dismantling is only considered as a last resort, with a focus placed on maximising the recycling rate.

To contribute to the **fight against food waste**, the Group's company restaurants in France (17,000 meals/day) rolled out an action plan that was as rigorous as it was effective: amounting to 12% in the early 2000s, waste has fallen to 3.5% currently. Waste is recycled in the form of methane or compost; the latter is then used for green areas around the Group's buildings in Île-de-France and to produce flowers displayed in reception areas.

### COMBATING LOSS OF BIODIVERSITY AND MANAGING WATER CONSUMPTION

BNP Paribas helps to combat the loss of biodiversity in two ways:

- by taking measures to protect biodiversity. For example, in 1985, BNP Paribas Fortis bought **the Virelles pond** (125 hectares) and transferred its management to three associations with a long-term lease of 99 years. Today, the pond has **a nature centre, a bird-watching centre and a hospital for birds and mammals.**
- by opting for **responsibly sourced paper** (made from pulp derived from recycled paper or from sustainably managed forests – PEFC or FSC eco-labels), BNP Paribas helps to protect forest ecosystems and their biodiversity.

Controlling impacts on ecosystems also involves controlling **water consumption**, which was 20.38 $m^3$/FTE in 2017. This is achieved through the installation of meters to identify leaks, equipment to optimise flows in sanitary facilities, and the automatic stop of taps by detection of presence.

## COMMITMENT 12: ADVANCE AWARENESS AND SHARING OF BEST ENVIRONMENTAL PRACTICES

In addition to its commitments related to financing the energy transition, BNP Paribas plays a role in disseminating knowledge and best environmental practices. As a result, it participates in several think tanks on the links between the economy and the environment.

### PARTICIPATION IN THINK TANKS AND COMMITMENT PLATFORMS ON THE LINKS BETWEEN THE ECONOMY AND THE ENVIRONMENT

As part of its public positions on CSR (see *Our mission and our values*, section 7.1), BNP Paribas belongs to several think tanks and commitment platforms focused on environmental issues:

- the Montréal Carbon Pledge;
- the Portfolio Decarbonization Coalition;
- the Banking Environment Initiative (BEI) and its Soft Commodities Compact;
- the Institutional Investors Group on Climate Change;
- the Transition Pathway Initiative;
- the French Business Climate Pledge;
- the Principles for Mainstreaming Climate Action within Financial Institutions;
- the *Appel de Paris*;
- the Financial Institutions' Declaration of Intent on Energy Efficiency from the EBRD and UNEP-FI;
- Entreprises Pour l'Environnement (EPE);
- the Roundtable on Sustainable Palm Oil (RSPO);
- The "We Mean Business Coalition" including, among others, the "Science Based Target" initiative, which are supported by the Carbon Disclosure Project ;

- moreover, BNP Paribas Real Estate is a member of the Green Building Council in several countries (Germany, France, United Kingdom and the Netherlands), and a founding member of the Low-carbon Building Association (BBCA).

In 2017, BNP Paribas announced its decision to join:

- the Breakthrough Energy Coalition, which supports innovation promoting the development of clean energy: launched at COP21 by Bill Gates, it brings together innovative research funded by public grants and investors, and expects to have a leverage effect of USD 30 billion;
- the UNEP Finance working group, which implements TCFD recommendations on climate reporting guidelines to assess the exposure to climate change risk;
- the ISO working group focused on the development of a Finance and Climate standard (ISO 14097), which aims to establish a framework and principles for the evaluation and reporting of financing and investment activities in view of climate change.

## SUPPORT FOR RESEARCH AIMED AT COMBATING CLIMATE CHANGE

### Climate Initiative: support research and develop knowledge on climate change

Launched in 2010 by the BNP Paribas Foundation, the Climate Initiative has already supported 10 international research teams. In 2017, the **BNP Paribas Foundation decided to double its commitment** by endowing this programme with an additional EUR 6 million over three years. The eight new international research projects that will be funded will address various issues such as collecting new data on past climates in Antarctica or the carbon sequestration capacity of soils cultivated in Africa. 178 researchers, professors and engineers from 73 universities and research organisations around the world will benefit from this initiative.

In 2017, **eight conferences** made it possible to discuss, with Group employees and the general public, the state of the art of research supported by the Foundation. Thanks to the various **awareness-raising initiatives** carried out by the Foundation, 60,698 people were made aware of climate change in 2017.

### Between research and innovation: BNP Paribas commits to the future of the planet

In 2017, BNP Paribas also established two new flagship partnerships to promote the emergence of sustainable solutions to climate change.

- The 1st was signed in November 2017, by BNP Paribas (Suisse) SA and the **Solar Impulse Foundation of Bertrand Picard**. Through this initiative, the Bank has committed to the "World Alliance for Efficient Solutions" programme, whose objective in particular is to select 1,000 cost-effective solutions to protect the environment by COP24. The Bank provides its expertise in risk management and offers its staff volunteer assignments.
- Then, in December 2017, the **BNP Paribas Foundation and the Bill & Melinda Gates Foundation**, under the patronage of the President of the French Republic, launched **"One Planet Fellowship"**, a programme that will receive USD 15 million over 5 years. Funded equally by the Bill & Melinda Gates and BNP Paribas Foundations, this philanthropic programme aims to support 600 African and European researchers working on the adaptation to climate change in Africa.

### COP23: promoting youth action in the fight against climate change

After COP21 in Paris and COP22 in Marrakesh, the BNP Paribas Foundation was present in Bonn for COP23 through the **Climat 360° exhibition.** Several researchers it supports also participated in this event. Among the highlights it is worth noting: **the announcement** by Global Carbon Atlas **that $CO_2$ emissions began to rise again in 2017**; and the **award ceremony for the international video contest "Youth for climate"** supported by the BNP Paribas Foundation. Two young people from India and Morocco were rewarded for their film about their commitment to combating climate change.

### "Our Ocean": the BNP Paribas Foundation acts for the future of the oceans

On 5 and 6 October 2017, in Malta, the European Union hosted the 4th "Our Ocean" conference, which brings together leaders, entrepreneurs, associations and scientists every year around a major theme: the future of the ocean. At the event, the **BNP Paribas Foundation presented the research projects it funds** on two ecosystems threatened by climate change: coral reefs ("REEF Services") and polar ecosystems ("Sensei" project).

# 7.6 Duty of care and Modern Slavery Act and human trafficking statement

## DUTY OF CARE

### REGULATORY FRAMEWORK

Law no. 2017-399 of 27 March 2017 on the Duty of care of parent companies and of companies using sub-contractors applies to the Group as a whole and requires a vigilance plan to be established and implemented to identify and prevent the risk of serious violations of human rights and fundamental freedoms, and of harm to human health and safety and to the environment.

### GOVERNANCE

Initiated and overseen by Group Management, the CSR policy is a strategic issue for BNP Paribas. It translates into a commitment at the highest level of the company, to combine performance, responsibility, ethics and transparency. CSR objectives were included in the Group's 2017-2020 business development plan.

The CSR Department defines, under the responsibility of the Executive Committee, all CSR decisions and policies, which are subject to the reasonable diligence expected under the vigilance plan. For their implementation, the CSR Department relies on the various business lines and control functions, in particular the risk Department and the compliance Department. Within the Group's risk appetite framework, two CSR indicators are also monitored: the evolution of the energy mix financed by the Group, and the coverage of the loan portfolio by specific CSR procedures.

The progress of initiatives related to the Group's vigilance systems will be presented annually to the Group Supervisory and Control Committee.

Executive Management made a series of commitments on the environment as of 2011, and on Human Rights as of 2012, by signing the Declaration of Human Rights.

In 2016, the Group's management reiterated its strong commitment to respecting human rights and protecting the environment through the publication of its Code of conduct applicable to all employees around the world.

Furthermore, the purpose of the Group's ethics warning system is to enable any BNP Paribas employee to report a proven breach – or a suspicion of such a breach – of the Code of conduct, of a policy or of a Group procedure or regulation, not only to their organisational superior, but also, alternatively, to the compliance team of the entity to which they belong, or of a higher level.

Consequently, any suspicion by a BNP Paribas employee of serious or potentially serious violations of human rights and fundamental freedoms, and of harm to human health and safety and to the environment, may be reported under this ethical alert system.

### OUR VIGILANCE APPROACH

#### Scope

As part of the preparation of its vigilance plan, BNP Paribas conducted, in keeping with its commitments, a review of its existing risk assessment and control policies and tools, on a scope consistent with the text of the law.

This scope includes employees, suppliers and sub-contractors and the main business lines within the three principal BNP Paribas divisions (Domestic Markets, International Financial Services, Corporate & Institutional Banking).

#### Risks taken into account in the development of different mapping exercises

In line with its CSR commitments, the Group has included in its vigilance approach the risks of serious violations of human rights and fundamental freedoms, and of harm to human health and safety and to the environment.

Risk reviews were conducted for the selected scope (Human Resources, Purchasing, the Group's various activities and business lines) based on major families of risks relating to human rights and fundamental freedoms, the environment and human health and safety.

Reviews were conducted on the basis of the following issues:

- Issues related to human rights and fundamental freedoms: in particular child labour, forced labour and human trafficking, freedom of association and collective bargaining, exercise of the right to strike, discrimination, failure to respect the rights of local communities, harassment, unfair wages, excessive hours of work, etc;

- Issues related to human health and safety;
  - Environmental issues, in particular: air pollution, water pollution, soil pollution, scarcity and depletion of commodities, water scarcity, erosion and soil depletion, waste management, greenhouse gas emissions, degradation of ecosystems and biodiversity, etc.

### Analysis of the systems used to manage these risks

The Group has taken stock of its existing systems and analysed them in view of the elements required to develop the vigilance plan. Thus, in 2017, the main risks previously identified as part of risk review exercises and workshops was reviewed. As regards the main risks, a review of the adequacy of the associated risk management tools was carried out.

On the basis of this, the priority actions to be carried out will be defined, in particular to complete or put in place appropriate procedures and tools for the detection and prevention of risks.

## OUR EMPLOYEES

The Group wants to foster a stimulating work environment in which every person is treated fairly. In particular, the Group places an emphasis on respect, the need to apply the highest standards of professional behaviour, and the rejection of all forms of discrimination. The Group also ensures the safety and security of people in their workplace.

The review carried out by BNP Paribas in 2017 did not highlight any new type of priority risk and made it possible to formalise the main risks foreseen by existing Group HR policies:

- the Group's diversity policy and remuneration principles reaffirm the principle of non-discrimination in the recruitment and career development of employees. These policies are supported by the Group HR control plan as well as by a specific alert procedure on discrimination issues via "Discrimination advisers", who can be called upon, in the countries where they exist, by any employee who believes he/she is a victim of discrimination. BNP Paribas has also signed the 10 Principles of the International Labour Organisation's Disability Charter, designed to promote the employment and working conditions of people with disabilities. BNP Paribas also supports the United Nations LGBTI Standards of Conduct, unveiled in September 2017 to combat discrimination against LGBTI people at work;
- the update of the Code of conduct in 2016 strengthens the Group's commitment to combating harassment, including sexual harassment;
- the European Social Charter from which derives the European agreement on the prevention of stress at work, applied from 2017, the programmes related to the prevention of psychosocial risks and stress at work, , commitment on maternity/paternity, the charter on the balance of professional life and personal life in France, and the principles of performance evaluation, new ways or working, a better balance of work patterns;
- BNP Paribas has also updated its HR personal data protection policy to anticipate the entry into force, in May 2018, of the General Data Protection Regulation (GDPR).

Occupational risk prevention programmes and occupational health and safety policies are adapted to the specificities of the Group's different business lines; they are described in more detail in paragraph 7.3.

The policies and actions already undertaken by Human Resources will continue to be implemented and monitored over time.

## OUR SUPPLIERS AND SUB-CONTRACTORS

Within the Group Purchasing Department, a structure dedicated to Responsible Purchasing based on a network of around 50 correspondents covers all CSR topics, including CSR risks related to the activities of tier 1 suppliers and sub-contractors.

For its non-production purchases and its non-specific production purchases from a subsidiary, the Group Purchasing Department updated its classification of purchasing categories in November 2016 according to three levels of CSR risk. In 2017, the Group's Purchasing Department began to map CSR risks with three other French banks using a common methodology.

Production purchases specific to certain subsidiaries (BNP Real Estate, Arval) were included in the 2017 review conducted by the Group with regard to all its existing commitments, policies, and risk assessment and control tools. The purchasing categories specific to these subsidiaries will be included in the CSR risk review in a future update.

In addition to these risk identification procedures, the Group has tools to prevent and evaluate CSR risks:

- the CSR charter for suppliers, which, since 2012, has broken down the Group's CSR commitments *vis-à-vis* suppliers and sub-contractors and specifies, in particular, the expectations in terms of compliance with the Universal Declaration of Human Rights of 1948 and its two additional pacts, with the eight Conventions of the International Labour Organisation and with environmental regulations;
- contractual clauses reproducing or supplementing the expectations in terms of environmental or social criteria which are communicated in the suppliers' CSR Charter;
- since 2016, training on human rights taken by more than 80% of the employees concerned in the Purchasing teams;
- CSR assessments of suppliers and sub-contractors as part of calls for tenders (over 2,500 evaluations carried out in 2017), notably those relating to categories of risky purchases, such as promotional items. In 2017, specific questionnaires on purchasing categories with strong environmental or social impacts continued to be used.

The use of CSR evaluation questionnaires in tender offers and the inclusion of their results in the overall evaluation of the supplier are included in the Group's control plan.

In France, BNP Paribas is a signatory to the Responsible Supplier Relations Charter promoted by the Business Mediation body of the French Ministry of the Economy and Finance, which notably offers recourse to an independent internal mediator.

The completion in 2018 of the CSR risk mapping initiated with three other French banks will make it possible to update the CSR risk prevention and control tools related to the activities of suppliers and sub-contractors and, if it proves necessary, to strengthen their use.

## OUR BANKING AND FINANCIAL ACTIVITIES

### The distribution of financial products and services

The Group has identified two main risks in the distribution of its products and services: non-discrimination in the access to financial services and the right to privacy (protection of customers' personal data).

To reduce the risk of discrimination in the access to financial services, the Group implements a financial inclusion approach, by supporting microfinance through financing and services provided to specialised institutions, by improving access to credit and insurance, and by supporting clients facing difficulties as a result of their disability or their financial situation. In addition to regulatory requirements in relation to the Duty of care, the Group has launched a number of initiatives that fall under its CSR commitment No. 7 on "Products and services that are widely accessible".

Moreover, as part of its general policy on managing personal data, BNP Paribas intends to use the best data protection systems available in all the entities and countries where the Group is present. In 2017, BNP Paribas began to change its current system to address all the requirements of the new European regulation on the protection of personal data that will come into force on 25 May 2018.

### Financing and investment activities

The activities of BNP Paribas customers may involve risks in relation to human rights and fundamental freedoms, human health and safety, and the environment.

BNP Paribas has already put in place management systems for environmental, social and governance (ESG) issues relating to its financing and investment activities. These systems are notably based on:

- the respect of the Equator Principles for major industrial and infrastructure projects. BNP Paribas has been a signatory to the Equator Principles since 2008: they aim to avoid, reduce, mitigate or offset the negative impacts of large industrial or infrastructure projects on communities, ecosystems or the climate;
- the integration of ESG criteria into the "Know Your Customer" process (KYC);
- the development of financing policies to regulate sectors with high ESG risks. These policies, which are available on the Group's website, are updated according to regulatory changes, their expected changes, and reports from Relationship Managers;
- a progressive integration of ESG criteria into lending and rating policies;
- a dedicated tool, "CSR screening", for large companies belonging to sectors not covered by sectoral policies. This tool is used in most regions of the Corporate and Institutional Banking division;
- the use of management and monitoring tools for these risks.

The Group has an exclusion list and a watch list. These lists are periodically revised to include, in particular, new situations involving serious violations of the environment or human rights.

The exclusion list covers companies that the Group does not wish to maintain commercial relations with. Reasons may notably include failures to protect the environment or negative social impacts on communities. With a view to limiting the impacts of greenhouse gas emissions and to participate in the energy transition, the Group has already decided to stop the financing of coal extraction as well as the financing of entities whose business is shale gas and oil and/or oil from oil sands.

With a view to limiting negative health impacts, the Group has also announced that it will discontinue its financing and investment activities for tobacco manufacturers, as well as for producers, wholesalers and traders whose revenues come mainly from tobacco.

## OUR COMMITMENT TO CONTINUOUS IMPROVEMENT

BNP Paribas' vigilance approach is part of a drive for continuous improvement. As such, the Group will complete, where necessary, its identification, control and management tools for identified risks, and will report on them each year in its registration document.

In accordance with regulations, the report on the effective implementation of this vigilance plan will be published in the management report for the year ending 31 December 2018.

# MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT

The Modern Slavery Act ("MSA") came into force in the United Kingdom in 2015 requiring large organisations doing business in the UK to produce a "Slavery and Human Trafficking" statement. The Act applies to both organisation subsidiaries and the parent organisation if they carry on a business or part of a business in the UK.

This Statement[1] relates the steps that BNP Paribas has taken to ensure that slavery and human trafficking are not taking place in its direct operations or supply chains. It also refers to the risk management process the Group has put in place to mitigate potential human rights violation from its financing and investment activities. This Statement is for the financial year ended 31 December 2017. The Board and CEO attest annually that the Group complies with this Statement through the information provided by the respective departments of corporate social responsibility ("CSR"), Procurement and Human Resources.

## INTRODUCTION

BNP Paribas is a leading bank in Europe with an international reach. It has a presence in 73 countries, with more than 196,000 employees, including more than 148,000 in Europe. The Group has key positions in its three main activities: Domestic Markets and International Financial Services (whose retail-banking networks and financial services are covered by Retail Banking & Services) and Corporate & Institutional Banking, which serves two client franchises: corporate clients and institutional investors.

BNP Paribas has had a presence in the UK for nearly 150 years. The UK is a key hub for the Group with a presence across BNP Paribas'core businesses: Corporate & Institutional Banking and Retail Banking & Services. There are about 7,900 employees in the UK with more than half based in and around London.

BNP Paribas seeks to be a contributor to responsible and sustainable global development. The Bank's ambition is to have a positive impact on its stakeholders and on the wider society. That is why the Group upholds the highest standard of conduct and ethics in the areas of human rights, labour, environment and anti-corruption.

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## OUR COMMITMENT AND POLICIES

BNP Paribas is committed to respecting a number of principles and norms which underpin the way it does business:

- the United Nations Sustainable Development Goals;
- the 10 Principles of the United Nations Global Compact;
- the United Nations Guiding Principles on Business and Human Rights;
- the internationally-accepted OECD Guidelines for multinational enterprises;
- the internationally-accepted standards of human rights, as defined in the International Bill of Human Rights;
- the core labour standards set out by the International Labour Organisation.

In addition to these public commitments, Group Policies are in place, which contribute to tackling numerous subjects on social, environmental and governance issues, including human rights violations. These include:

- BNP Paribas Group Code of conduct;
- Statement of BNP Paribas on Human Rights;
- BNP Paribas Suppliers CSR Charter.

## OUR EMPLOYEES

BNP Paribas commits to offer a working environment in which all employees are treated fairly. In particular, the Group focuses on respect, the need to apply the most stringent norms of professional behaviour and rejects all forms of discrimination. The existing Group's permanent policies and procedures notably include the Diversity policy and the remuneration principles which reaffirm the non-discrimination principle in the recruitment and career management of the employees. The 2016 update of the Group's Code of conduct, which rules all BNP Paribas'employees must understand and follow, reinforce the Group's commitment against harassment, including sexual harassment. On this basis, everyone within the Group has the responsibility to treat all colleagues with respect; make sure that interactions with colleagues are professional and effective at all times; listen to and value the input from colleagues, even if they express different views.

### Raising concerns

All BNP Paribas employees should report any proven or suspected breach of the Group's Code of conduct or of a Group policy, procedure or regulation to their line manager; alternatively, they are entitled to raise an ethical alert within the framework of the Group whistleblowing procedure.

Any concern about an issue or a suspicion on human rights within the BNP Paribas business operations or in the supply chain can be reported in accordance with the Group whistleblowing procedure, unless local regulations or procedures provide otherwise.

Our whistleblowing policy ensures that action taken in good faith by an employee in connection with the mechanism will not cause the employee to be penalised in any way.

*(1) This Statement applies to all companies within the BNP Paribas Group that are required to have a slavery and modern trafficking statement, except where they have chosen to produce their own statement.*

## OUR SUPPLIERS

BNP Paribas believes that the behaviour of suppliers must also adhere to its commitments on Environmental, Social and governance ("ESG") issues.

Within Group Procurement central team, a structure dedicated to Sustainable Procurement manages the CSR risks linked to the suppliers and subcontractors activities. The Procurement department notably relies on the department's standards and requirements in force which are applicable across the Group and which provide for environmental and social criteria to be taken into consideration in the suppliers' selection process. In addition, Group Procurement updated in November 2016 its classification of its spend categories according to three levels of CSR risks.

BNP Paribas Procurement Group is one of the contributors of an interbank workshop currently working with AFNOR (French Norms Association) to finalize a new common Risk cartography in order to qualify the categories of purchases CSR risks. This cartography should be operational for the 2018 second semester after a testing period.

As a complement to these approaches to identify risks, BNP Paribas Group Procurement has implemented tools to prevent and mitigate CSR risks in its supply chain:

- The BNP Paribas Suppliers CSR Charter., which states since 2012 the Group's environmental and social commitments *vis-à-vis* its suppliers and subcontractors, and notably specifies the requirements of the following reference texts:
  - the Universal Declaration of Human Rights of 1948 and its two additional covenants;
  - the 8 Conventions of the International Labour Organization, in particular regarding minimum age and child labour and abolition of forced and compulsory labour.
- the inclusion of contractual clauses in supplier contract standard templates, that requires the suppliers to observe the principles of the conventions of the International Labor Organization in all countries in which it operates and to make every effort to ensure its application by its own suppliers, subcontractors and distributors;
- the CSR assessment of suppliers and subcontractors as part of requests of proposals (over 2,500 assessments performed in 2017), with the deployment of a sustainability questionnaire, including specific clauses on environment, ethics and human rights.

## OUR CLIENTS

BNP Paribas serves millions individual customers and professionals, entrepreneurs, small and medium-sized enterprises and large corporate clients in industries with multiple ESG issues, and operates in countries where legal and governance systems are at diverse levels of development.

BNP Paribas strives to mitigate potential violation of social or environmental rights, including human rights, from its financing and investment activities. Its ESG risk management system[(1)] is Group wide and based on:

- the respect of the Equator Principles for major industrial and infrastructure projects;
- the integration of ESG criteria in the Know Your Customer ("KYC") process;
- the development of financing and investment policies managing the Group's activities in sectors with significant ESG issues;
- the implementation of a specific ESG risk assessment framework for its products and services.

## AWARENESS AND TRAINING

BNP Paribas took part in the development of an awareness-raising e-learning module called "Business and Human Rights" and co-created with the other members of the French association "*Entreprises pour les droits de l'Homme*" (Enterprises for Human Rights – "EDH"). Aimed at employees of EDH member companies, this module is included in the BNP Paribas training catalogue. It is mandatory for all employees who directly contribute to the promotion of human rights: Risk people, Procurement business lines, business relations officers in CIB and the CSR network.

This initiative is monitored by one of the thirteen managing indicators of the BNP Paribas' CSR strategy: the "percentage of employees contributing directly to the promotion of human rights who have received a specific training". This indicator is also one of the nine CSR indicators used in calculating the deferred variable compensation of the Group's 6,300 top managers, accounting for 20% of the conditions for attributing this compensation.



Jean-Laurent BONNAFE
Chief Executive Officer

Jean LEMIERRE
Chairman of the Board of Directors

3 February 2018

(1) *For more information, refer to the Group's 2017 Registration Document, Commitment 3, Systematic integration and management of environmental, social and governance risks; and Commitment 8, Combating social exclusion and promoting respect for human rights.*

# 7.7 Table of concordance with the list of environmental, social and governance information required under article 225 of the Grenelle II Act

Information required by article 225 of the French Grenelle II Act, article R.225-105-1 of the French Commercial Code, and Decree No. 2012-557 of 24 April 2012..

| | Corresponding page |
|---|---|
| **1° INFORMATIONS SOCIALES** | |
| **a) Employment** | |
| ■ Total headcount and distribution of employees by gender, age and geographical area | 508-510 |
| ■ Hires and dismissals | 511 |
| ■ Remuneration and its evolution | 513-515 |
| **b) Work organisation** | |
| ■ Organisation of working hours | 512 |
| ■ Absenteeism | 516 |
| **c) Labour practices** | |
| ■ Organisation of social dialogue, notably procedures for informing, consulting and negotiating with employees | 512-513 |
| ■ Collective agreements | 512-513 |
| **d) Health and safety** | |
| ■ Health and safety conditions at work | 515-516 |
| ■ agreements with unions and staff representatives regarding health and safety at work frequency and severity of accidents at work and occupational illnesses | 515 |
| ■ frequency and severity of accidents at work and occupational illnesses | 516 |
| **e) Training** | |
| ■ Training policies politiques mises en œuvre en matière de formation | 517-519 |
| ■ Total hours of training | 518 |
| **f) Equal treatment** | |
| ■ Measures to promote gender equality | 504-507; 514 |
| ■ Measures to promote the employment and integration of disabled people | 505 |
| ■ Anti-discrimination policy | 504-507 |
| **g) Promoting and complying with the fundamental conventions of the ILO relating to** | |
| ■ freedom of association and the right to collective bargaining | 506; 512-513; 533-537 |
| ■ The elimination of discrimination in respect of employment and occupation | 504-507; 533-537 |
| ■ The elimination of forced or compulsory labour | 506; 524; 533-537 |
| ■ The abolition of child labour | 506; 524; 533-537 |
| **2° ENVIRONMENTAL INFORMATION8** | |
| **a) General policy on environmental issues** | |
| ■ Organisation of the Company to take account of environmental issues and, where necessary, evaluation or certification procedures in the environmental area | 484-486; 491; 493-494<br>498-502; 527-532 |
| ■ Employee training and information on environmental protection | 498; 529; 532 (direct impacts) |
| ■ Resources devoted to the prevention of environmental risks and pollution | 498-502 (indirect impacts);<br>529-531 (direct impacts) |

| | Corresponding page |
|---|---|
| ■ The amount of provisions and guarantees for environmental risks, provided such information is not of a nature that could cause serious harm to the Company in an ongoing dispute | 529 |
| **b) Circular economy** | |
| ■ Measures for preventing, reducing or repairing discharges into the air, water or soil with a serious impact on the environment | 498-499 (indirect impacts); 529-531 (direct impacts) |
| ■ Measures for preventing, recycling or reusing waste, other ways to recycle or eliminate waste; | 529 (indirect impacts) 531 (direct impacts) |
| ■ Factoring in noise pollution and any other form of pollution specific to an activity Irrelevant, | Not relevant, see page 529 |
| ■ food waste prevention efforts | 529 (indirect impacts) 531 (direct impacts) |
| **c) Sustainable use of resources** | |
| ■ Water consumption and supply in accordance with local constraints | 498-502 (indirect impacts); 531 (direct impacts) |
| ■ Consumption of raw materials and measures taken to improve the efficiency of their use | 498-502 (indirect impacts); 531 (direct impacts) |
| ■ Consumption of energy, measures taken to improve energy efficiency and use of renewable energy | 498-502 (indirect impacts); 531 (direct impacts) |
| ■ Land usage | 498-502 (indirect impacts) |
| **d) Climate change** | |
| ■ Significant amounts of greenhouse gas emissions generated from the company's activity, through the use of the goods and services it produces | 498-502; 527-529 (indirect impacts); 530 (direct impacts); |
| ■ Adaptation to the consequences of climate change | 530 (direct impacts); 531-532 (philanthropy) |
| **e) Protection of biodiversity** | |
| ■ Measures taken to preserve or develop biodiversity | 498-502 (indirect impacts); 531 (direct impacts) |
| **3° INFORMATION ON CORPORATE COMMITMENTS IN FAVOUR OF SUSTAINABLE DEVELOPMENT** | |
| **a) Territorial, economic and social impact of the Company's activity** | |
| ■ in terms of employment and regional development | 490-494; 522-523 |
| ■ on local populations | 490-494; 522-524 |
| **b) Group relations with persons or organisations with interests in the companies' activities, including integration associations, educational institutions, environmental associations, consumer associations and local communities** | |
| ■ Conditions for dialogue with these persons or organisations | 487-488; 497-498 |
| ■ Partnership or philanthropy actions | 525-526; 531-532 |
| **c) Outsourcing and suppliers** | |
| ■ Inclusion of social and environmental issues in purchasing policy | 487; 489; 498 |
| ■ Importance of outsourcing and consideration of social and environmental responsibility ■ when dealing with suppliers and subcontractors | 487; 489; 498 |
| **d) Fair commercial practice** | |
| ■ Actions taken to prevent corruption | 487; 495-496 |
| ■ Measures taken to foster consumers' health and safety | 496-497 |
| **e) Other action taken, under this point 3, to foster human rights** | 487; 506; 522-524; 533-537 |

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# 7.8 Table of concordance with GRI, ISO 26000, UNEP Fi, Global Compact, Sustainable Development Goals

| 2017 Registration Document | Pages | Global Reporting Initiative V4 (*) | ISO 26000 | UNEP-Fi (**) | Principles of the UN Global Compact | Sustainable Development Goals (SDGs) |
|---|---|---|---|---|---|---|
| **OUR MISSION AND OUR VALUES** | | | | | | |
| Our mission | 484 | G4-1 | 5.2.2, 5.2.3, 6.2 | 1.1 | | |
| Our values, the BNP Paribas Way | 484 | G4-1, G4-56 | 5.2.2, 6.2 | 1.1, 1.4 | | |
| **Our Corporate Social Responsibility strategy (CSR)** | | | | | | |
| A bank committed to a better future | 485 | G4-2 | 5.2.1, 5.2.2, 6.6.3, 6.6.4, 6.6.6 | 1.1, 2.6, 3.1 | 1-10 | 1-17 |
| The CSR management indicators | 486 | G4-48, G4-51 | 4.3, 7.7.2, 7.7.3 | 2.6, 3.1 | 1, 6, 7, 8 | 1-17 |
| BNP Paribas' public positions | 487 | G4-15 | 6.8.9, 7.3.3 | 3.6 | 1, 3, 6, 8, 10 | 1-17 |
| Progress acknowledged by extra-financial rating agencies | 487 | | 7.6.2 | | | |
| CSR taken to the highest level in the organisation | 488 | G4-35, G4-36, G4-43 | 6.2.2 | 1.2 | | |
| Fostering dialogue with stakeholders | 488 | G4-16, G4-25, G4-26, G4-27 | 5.3.3, 7.5.4 | 3.3, 3.5 | 1, 3, 9 | 1 |
| **ECONOMIC RESPONSIBILITY: FINANCING THE ECONOMY IN AN ETHICAL MANNER** | | | | | | |
| **Commitment 1 – Investments and financing with a positive impact** | | | | | | |
| Supporting SMEs and boosting employment | 490 | FS7, FS14, G4-EC1 | 6.8.7 | 1.3, 1.4 | | 8, 10 |
| Contributing to the United Nations Sustainable Development Goals (SDG) | 491 | G4-DMA, FS14, FS16 | | 1.3, 1.5, 3.3 | 1-10 | 17 |
| Financing Social Entrepreneurship (SE) | 493 | FS14 | 6.8.7, 6.7.9 | 2.7 | | 8, 10, 11 |
| Social Impact Bonds: BNP Paribas is the leader in France | 493 | FS7 | 6.8.7, 7.3.1 | 1.3, 1.4, 2.3, 2.6 | | 8, 10, 11, 17 |
| Designing and promoting Socially Responsible Investment (SRI) funds | 493 | G4-DMA, FS11 | 6.7.3, 6.7.9 | 2.7 | 1, 9 | 6, 7, 10, 11, 13, 14, 15, 17 |
| Tailored advice and support | 494 | FS14 | 6.3.7, 6.7.3, 6.7.9 | 3.3 | 6 | 5, 9 |
| **Commitment 2 – Ethics of the highest standard** | | | | | | |
| Ethics of the highest standard | 495 | G4-14, G4-37, G4-56, G4-57, G4-58, G4-SO4 | 4.7, 6.6.3, 6.6.4, 6.6.6, 6.6.7 | 1.2, 1.4, 1.5 | 10 | 10, 16 |
| Protecting clients' interests | 496 | G4-DMA, G4-PR3, G4-PR5 | 6.6.7, 6.7.3, 6.7.4, 6.7.6, 6.7.7 | 3.2 | 10 | 10 |
| Ethics at the heart of supplier relations | 498 | G4-LA15 | 5.2.1, 6.6.3, 6.7.3 | 3.3 | 10 | 12, 16 |

| 2017 Registration Document | Pages | Global Reporting Initiative V4 (*) | ISO 26000 | UNEP-Fi (**) | Principles of the UN Global Compact | Sustainable Development Goals (SDGs) |
|---|---|---|---|---|---|---|
| **Commitment 3 – Systematic integration and management of Environmental, Social and Governance (ESG) risks** | | | | | | |
| Financing and investment policies for the Group's activities in sectors with significant ESG issues | 498 | G4-DMA, G4-EC2, G4-EC8, G4-HR1 | 4.4, 4.6, 6.2, 6.3.4, 6.3.5, 6.6.3, 6.8.7 | 1.3, 2.1, 2.2, 2.3, 2.4, 2.7 3.2, 3.3 | 1-10 | 3, 5, 6, 8, 13, 14, 15, 16 |
| Upholding the Equator Principles on project financing | 500 | G4-DMA, G4-EC8, G4-HR9 | 6.6.7 | 2.2, 2.3, 2.6, 2.7 | 1-10 | 3, 5, 6, 8, 13, 14, 15, 16 |
| A comprehensive system of ESG risk assessment of the products and services provided by the Group | 501 | G4-DMA, G4-14, G4-HR1 | 6.3.5, 6.7.4, 6.7.5 | 2.3 | 1-10 | 16 |
| Management and monitoring tools for our ESG risks | 502 | G4-DMA, G4-14, G4-EN17, G4-HR1, FS11, G4-HR1 | 6.3.5, 6.4.7, 6.7.4, 6.7.5 | 2.3 | 1-10 | 16 |
| **SOCIAL RESPONSIBILITY: DEVELOPING AND ENGAGING OUR PEOPLE RESPONSIBILITY** | | | | | | |
| The 2020 HR Strategy | 503 | | 6.4.7 | | | 4, 8 |
| "Leadership for Change" | 503 | | 6.4.7 | | | 8 |
| Listening to employees through the Global People Survey (GPS) | 503 | | 5.3.3 | | | 5, 8 |
| **Commitment 4 – Promoting diversity and inclusion in the workplace** | | | | | | |
| A solid framework | 504 | G4-10, G4-LA1, G4-LA12 | 6.3.7, 6.4.3, 6.4.7, | 1.4, 3.3 | 1, 6 | 5, 8, 10 |
| Growing awareness of our employees and sharing good practice | 504 | | 5.5.5, 6.6.6 | 1.4, 3.3 | 1, 6 | 5, 8, 10, 16 |
| Our main initiatives in 2017 | 505 | G4-10, G4-LA12 | 6.3.7, 6.3.10, 6.4.3, 6.6.6 | | 1, 6 | 5, 8, 10, 16 |
| Results and internal and external recognition | 507 | | 5.3.3 | | 1, 6 | 5, 8, 10, 17 |
| **Commitment 5 – "Good place to work" and responsible employment management** | | | | | | |
| Change in the workforce | 508 | G4-10, G4-LA1 | 6.4.3 | | | 5, 8 |
| Recruitment, movements, organisation of working hours | 510 | G4-LA3, G4-LA1, G4-LA12, G4-LA13 | 6.4.3, 6.4.4 | | | 5, 8 |
| Quality social dialogue | 512 | G4-11, G4-LA8 | 5.3.3, 6.4.3, 6.3.10, 6.4.5 | 3.3 | 3 | 3, 5, 8, 17 |
| A competitive compensation policy | 513 | G4-52 | 6.4.3, 6.4.4 | | | 5, 8 |
| Focus on people (working conditions, health and safety, risk prevention) | 515 | G4-LA6 | 6.4.3, 6.4.4, 6.4.6 | 1.4 | 6 | 3, 5, 8 |
| **Commitment 6 – A learning company supporting dynamic career management** | | | | | | |
| Managing career paths | 517 | G4-LA11 | 6.4.7 | | 6 | 4, 5, 8, 10 |
| Training policy | 517 | G4-LA9, G4-LA10 | 6.4.7, 6.8.5 | | 1, 8 | 4, 5, 8, 17 |
| Mobility | 519 | | 6.4.3, 6.4.7 | | | 4, 5, 8, 10 |

| 2017 Registration Document | Pages | Global Reporting Initiative V4 (*) | ISO 26000 | UNEP-Fi (**) | Principles of the UN Global Compact | Sustainable Development Goals (SDGs) |
|---|---|---|---|---|---|---|
| **CIVIC RESPONSIBILITY: BEING A POSITIVE AGENT FOR CHANGE** | | | | | | |
| **Commitment 7: Products and services that are widely accessible** | | | | | | |
| Group support for microfinance | 521 | FS14 | 6.8.9 | 2.7 | | 1, 8, 10, 17 |
| Providing assistance to customers at risk | 521 | FS14 | 6.7.4, 6.7.8, 6.8.6 | 2.7 | | 8, 10 |
| Financial education programmes for the public | 522 | FS7, FS14 | 6.6.6, 6.7.9 | 3.3 | 10 | 4, 10 |
| **Commitment 8 – Combating social exclusion and promoting respect for human rights** | | | | | | |
| Projet Banlieues: an initiative to foster social inclusion in disadvantaged urban areas which has been in place for twelve years | 522 | FS14 | 6.8.3, 6.8.4, 6.8.5 | | 6 | 8, 10, 11 |
| BNP Paribas is committed to respecting human rights | 523 | G4-14, G4-HR1, G4-HR6 | 6.3.3, 6.3.4, 6.3.5 | 1.5, 2.3, 2,7 | 1, 2, 3, 4, 5, 6 | 1, 2, 8, 16 |
| **Commitment 9 – Corporate philanthropy policy focused on the arts, solidarity and the environment** | | | | | | |
| A structured and inclusive philanthropy policy | 525 | G4-EC1 | 6.8.3, 6.8.4, 6.8.9 | 1.4 | | 3, 4, 6, 7, 13, 14, 15, 17 |
| Committed employees showing solidarity | 526 | | 6.4.7, 6.8.3 | 1.4, 3.3 | | 3, 4, 6, 7, 13, 14, 15 |
| **ENVIRONMENTAL RESPONSIBILITY: COMBATING CLIMATE CHANGE** | | | | | | |
| **Commitment 10 – Partnering with our clients in the transition to a low-carbon economy** | | | | | | |
| Supporting the energy transition | 527 | G4-EN17 | 6.5.3, 6.5.4, 6.5.5, 6.6.6, 6.7.5 | 2.4 | 7, 8, 9 | 7, 9, 11, 13 |
| Helping companies to improve their energy efficiency | 528 | G4-EN17 | 6.5.3, 6.5.4, 6.5.5, 6.6.6, 6.7.5 | 2.4, 3.2 | 7, 8, 9 | 7, 9, 11, 13 |
| Helping private consumers to reduce their energy consumption | 528 | G4-EN17 | 6.5.3, 6.5.4, 6.5.5, 6.6.6, 6.7.5 | 2.4 | 7, 8, 9 | 7, 11, 13 |
| Third-party asset management supporting the energy transition | 529 | FS11 | 6.5.4, 6.5.5, 6.6.6, 6.7.5 | 2.4 | 7, 8, 9 | 6, 7, 8, 9, 11, 13, 14, 15 |
| Support for the circular economy | 529 | | 6.5.3, 6.5.4, 6.7.5, 6.8.6 | 2.4 | 7, 8, 9 | 12 |
| **Commitment 11 – Reduce the environmental impact of our operations** | | | | | | |
| A carbon neutral bank across its operational scope | 529 | FS1, FS2, G4-EN3, G4-EN4, G4-EN6, G4-EN7, G4-EN15, G4-EN16, G4-EN19, G4-EN26 | 6.5.3, 6.5.4, 6.5.5, 6.7.5 | 2.4, 2.6, 3.1 | 7, 9 | 12, 13 |
| Consuming less paper and using responsibly sourced paper | 530 | FS1, FS2, EN7, G4-EN26 | 6.5.3, 6.5.4, 6.5.5 | 2.4, 2.6, 3.1 | 7, 9 | 12, 15 |
| Reducing waste and recycling it wherever possible | 531 | FS1, FS2, EN7, G4-EN26 | 6.5.3, 6.5.4, 6.5.5 | 2.4, 2.6, 3.1 | 7, 9 | 12 |
| Combating loss of biodiversity and managing water consumption | 531 | FS1, FS2, G4-EN7, G4-EN8, G4-EN11, G4-EN26 | 6.5.4, 6.5.5, 6.5.6 | 2.4, 2.6, 3.1 | 7, 9 | 6, 12, 15 |

| 2017 Registration Document | Pages | Global Reporting Initiative V4 (*) | ISO 26000 | UNEP-Fi (**) | Principles of the UN Global Compact | Sustainable Development Goals (SDGs) |
|---|---|---|---|---|---|---|
| **Commitment 12 – Advance awareness and sharing of best environmental practices** | | | | | | |
| Participation in think tanks and commitment platforms on the links between the economy and the environment | 531 | | 6.5.5, 6.6.6, 6.8.6, 6.8.9 | 2.1 | 9 | 17 |
| Support for research aimed at combating climate change | 532 | | 6.5.5, 6.6.6, 6.8.6, 6.8.9 | 2.1 | 8, 9 | 13, 14, 17 |
| **DUTY OF CARE AND MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT** | | | | | | |
| Duty of care | 533 | G4-DMA, G4-14, G4-HR5, G4-HR6, G4-LA8 | 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.8, 6.3.9, 6.3.10, 6.4.3, 6.4.4, 6.4.5, 6.4.6, 6.5.3, 6.5.5, 6.5.6, 6.7.7 | 1.5, 2.3, 2, 7 | 1, 2, 3, 4, 5, 6, 7 | 3, 5, 6, 8, 10, 13, 14, 15, 16 |
| Modern slavery and human trafficking statement | 536 | G4-DMA, G4-HR5, G4-HR6 | 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10 | 1.5, 2.3 | 1, 2, 4, 5 | 8, 16 |
| **APPENDICES** | | | | | | |
| Grenelle II concordance table | 538 | | | | | |
| Opinion of the Statutory Auditors | 544 | | | | | |

*(*) Managerial approach defined in the GRI G4 guidelines; EC: Economy; EN: Environment PR: Product responsibility; LA: Labour practices; HR: Human Rights; SO: Society; FS: Impact of products and services.*

*(**) Statement by Financial Institutions on the Environment and Sustainable Development, May 1997.*

# 7.9 Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated environmental, social and governance information presented in the management report of BNP Paribas

For the year ended 31 December 2017

*This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. 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 our capacity as Statutory Auditor of BNP Paribas SA (hereinafter the "Company"), appointed as an independent third party and certified by COFRAC under number 3-1060 (whose scope can be consulted at http://www.cofrac.fr), we hereby report to you on the consolidated environmental, labour and social information for the year ended 31 December 2017, presented in the management report (hereinafter the "CSR Information") in accordance with article L.225-102-1 of the French Commercial Code (*Code de commerce*).

## RESPONSIBILITY OF THE COMPANY

The Board of Directors is responsible for preparing the Company's management report including CSR Information in accordance with the provisions of article R.225-105-1 of the French Commercial Code and with the environmental, social, and societal reporting protocols used by the Company (hereinafter the "Guidelines") and available on request from the Company's Corporate Social Responsibility Department.



## INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French code of ethics governing the audit profession and the provisions of article L.822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the code of ethics and applicable legal and regulatory requirements.

## RESPONSIBILITY OF THE STATUTORY AUDITOR

On the basis of our work, our responsibility is to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

It is however, on occasion, not our responsibility to comment on compliance with any other legal provisions as may be applicable, particularly those of article L.225-102-4 of the French Commercial Code (duty of care) and French law no. 2016-1961 of 9 December 2016, known as the "Sapin II" law (anti-bribery).

Our work was carried out by a team of six people between October 2017 and March 2018 and took around six weeks. We were assisted in our work by our specialists in corporate social responsibility.

We performed our work in accordance with the professional auditing standards applicable in France, with the decree of 13 May 2013 determining the conditions in which the independent third party performs its engagement and, for the reasoned opinion on fairness, with ISAE 3000 (Assurance engagements other than audits or reviews of historical financial statements).

### 1. STATEMENT OF COMPLETENESS OF CSR INFORMATION

#### Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we reviewed the Company's sustainable development strategy with respect to the labour and environmental impact of its activities and its social commitments and, where applicable, any initiatives or programmes it has implemented as a result.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that was not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the entities it controls as defined by article L.233-3 of the French Commercial Code, as set out in the introduction to section 7.3 of the Registration Document for labour information and in the "*Commitment 11: Reduce the environmental impact of our operations*" section of chapter 7.5 of the Registration Document for the environmental information.

#### Conclusion

Based on this work and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

### 2. REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

#### Nature and scope of our work

We conducted around 20 interviews with the people responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in the light of their relevance, completeness, reliability, impartiality and comprehensibility and taking into account best practices where appropriate;
- verify that a data collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information, and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information with respect to the characteristics of the Company, the labour and environmental challenges of its activities, its sustainable development policy and good market practice.

With regard to the CSR Information that we considered to be the most important, of which a list is provided in the appendix to this report:

- at parent entity level, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organisation, policy, action), and we followed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in concordance with the other information in the management report;
- at the level of a representative sample of entities (BNP Paribas SA - France, BNP Paribas Mumbai Branch and BNP Paribas India Solutions - India, BMCI - Morocco, CIB & Securities Services - Portugal) selected by us on the basis of their activity, contribution to the consolidated indicators, location and a risk analysis, we conducted interviews to ensure that procedures are followed correctly and we performed tests of detail, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents 25% of the employees deemed to be characteristic for the labour-related information and 32% of the energy consumption deemed to be characteristic for the environmental information.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations given for any information not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, based on our professional judgement, allow us to express limited assurance; a higher level of assurance would have required us to carry out more extensive work. Due to the use of sampling techniques and other limitations intrinsic to the operation of information and internal control systems, we cannot provide absolute assurance that the CSR Information disclosed is free of material misstatement.

### Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Guidelines.

Neuilly-sur-Seine, March 6, 2018

One of the Statutory Auditors

PricewaterhouseCoopers Audit

| | |
|---|---|
| Étienne Boris | Sylvain Lambert |
| Partner | Partner, Sustainable Development Department |

## APPENDIX: LIST OF INFORMATION THAT WE CONSIDERED TO BE THE MOST IMPORTANT

### Quantitative labour information

- Total headcount at 31 December 2017, broken down by age, gender and region, proportion of fixed-term employees and permanent employees;
- New permanent employees (broken down by region) and reasons for departure of permanent employees;
- Rate of absenteeism including and excluding maternity/paternity leave;
- Number of collective agreements signed during the year;
- Gender equality - rate of women amongst "Senior Manager People" (SMP);
- Number of disabled employees and number of disabled people hired during the year;
- Number of training hours, number of employees trained, proportion of total employees who have received training on ethics.

### Qualitative labour information

- Organisation of social dialogue, in particular procedures for informing, consulting and negotiating with employees ("*Quality social dialogue*");
- Workplace health and safety conditions ("*Commitment 5: Good place to work and responsible employment management*");
- Training policies applied ("*Commitment 6: A learning company that offers dynamic career management*");
- Anti-discrimination policy ("*Commitment 4: Promotion of diversity and inclusion*").

### Quantitative environmental information

- Energy consumption by source (electricity, natural gas, domestic fuel, district heating and cooling);
- Business travel by train, air and road;
- Significant sources of greenhouse gas emissions generated by the Company's operations, particularly the use of the goods and services it produces (Scope I, II and III greenhouse gas emissions and carbon neutrality in the operational scope);
- Water consumption;
- Waste prevention, recycling, reuse and other forms for recovery and elimination (quantity of waste produced, by waste category);
- Paper consumption and eco-friendly paper consumption.

### Qualitative environmental information

- Environmental consequences of the Company's investments ("*Commitment 10: Support for our clients during the transition to a low-carbon economy*");
- General environmental policy and efforts made by the Company to take account of environmental issues ("*Commitment 11: Reduce the environmental impact of our operations*").

### Qualitative social information

- Territorial, economic and social impact of the Company's activity and sustainable financing for the economy ("*Commitment 1: Financing and investments with a positive impact*"; "*Commitment 3: Systematic integration and management of environmental, social and governance risks*" and "*Commitment 7: Products and services that are widely accessible*");
- Relations with the people and organisations concerned by the Company's activity;
- Partnership and corporate philanthropy initiatives ("*Commitment 9: Corporate philanthropy policy focused on the arts, solidarity and the environment*");
- Subcontractors and suppliers ("*Ethics at the foundation of our relationship with suppliers and The integration of ESG criteria into supply chain management*");
- Actions taken to prevent corruption ("*Commitment 2: Ethics of the highest standard*");
- Actions in support of human rights ("*Commitment 8: Combat social exclusion and support human rights*").

# 8 GENERAL INFORMATION

# 8.1 Documents on display

This document is available on the BNP Paribas website, www.invest.bnpparibas.com, and the Autorité des Marchés Financiers (AMF) website, www.amf-france.org.

Any person wishing to receive additional information about the BNP Paribas Group can request documents, without commitment, as follows:

- by writing to:
  BNP Paribas – Group Finance
  Investor Relations and Financial Information
  3, rue d'Antin – CAA01B1
  75002 Paris
- by calling: +33 (0)1 40 14 63 58

BNP Paribas' regulatory information (in French) can be viewed at: https://invest.bnpparibas.com/information-reglementee.

# 8.2 Material contracts

To date, BNP Paribas has not entered into any material contracts – other than those entered into during the normal course of business – that create an obligation or commitment for the entire Group.

# 8.3 Dependence on external parties

In April 2004, BNP Paribas SA began outsourcing IT Infrastructure Management Services to the BNP Paribas Partners for Innovation (BP²I) joint venture set up with IBM France at the end of 2003. BP²I provides IT Infrastructure Management Services for BNP Paribas SA and several BNP Paribas subsidiaries in France (including BNP Paribas Personal Finance, BP2S, and BNP Paribas Cardif), Switzerland, and Italy. In mid-December 2011, BNP Paribas renewed its agreement with IBM France for a period lasting until end-2017. At the end of 2012, the parties entered into an agreement to gradually extend this arrangement to BNP Paribas Fortis as from 2013. The Swiss subsidiary was closed at 31 December 2016.

BP²I is under the operational control of IBM France. BNP Paribas has a strong influence over this entity, which is 50/50 owned with IBM France. The BNP Paribas staff made available to BP²I make up half of that entity's permanent staff, its buildings and processing centres are the property of the Group, and the governance in place provides BNP Paribas with the contractual right to monitor the entity and bring it back into the Group if necessary.

IBM Luxembourg is responsible for infrastructure services and data production for some of the BNP Paribas Luxembourg entities.

BancWest's data processing operations are outsourced to Fidelity Information Services. Cofinoga France's data processing is outsourced to SDDC, a fully-owned IBM subsidiary.

# 8.4 Significant changes

There have been no significant changes in the Group's financial or business situation since the end of the last financial year for which audited financial statements were published, and in particular since the signature of the Statutory Auditors' report on the consolidated financial statements on 6 March 2018..

# 8.5 Investments

The following table lists the Group's investments since 1 January 2015 that are individually valued at over EUR 500 million and are considered material at a Group level:

| Country | Announcement date | Transaction | Transaction amount | Comments |
|---|---|---|---|---|
| France, Spain, Portugal, Sweden, Switzerland, United-Kingdom, Italy, Netherlands, Belgium, Germany, Austria, Luxembourg | 29 June 2015 | Acquisition by Arval of General Electric European Fleet Business | EUR 1,280 million (for 100% of the shares of the acquired subsidiaries and certain assets) | The indicated transaction amount is the euro equivalent of the price paid |

(*) *Société Fédérale de Participations et d'Investissement: a public-interest limited company (société anonyme) acting on behalf of the Belgian State.*

# 8.6 Information on locations and businesses in 2017

In accordance with article L.511-45 of the French Monetary and Financial Code and Decree No. 2014-1657 of 29 December 2014, credit institutions, financial holding companies, mixed financial holding companies and investment firms are obliged to disclose information about their locations and activities, included in their scope of consolidation, in each State or territory.

## I. LOCATIONS BY COUNTRY

| Locations | Business |
|---|---|
| **European Union member States** | |
| Austria | |
| Arval Austria GmbH | Arval |
| BNPP Asset Management France (Austria branch) | Asset Management |
| BNPP Fortis (Austria branch) | Corporate and Institutional Banking |
| BNPP Personal Finance (Austria branch) | Personal Finance |
| BNPP SA (Austria branch) | Corporate and Institutional Banking |
| Cardif Assurance Vie (Austria branch) | Insurance |
| Cardif Assurances Risques Divers (Austria branch) | Insurance |
| CNH Industrial Capital Europe GmbH | Leasing Solutions |
| Hellobank BNPP Austria AG | Personal Investors |
| Opel Leasing GmbH (Austria Branch) | Personal Finance |
| **Belgium** | |
| AG Insurance | Insurance |
| Alpha Card SCRL | Retail Banking |
| Alpha Crédit SA | Personal Finance |
| Arval Belgium NV SA | Arval |
| B Carat | Personal Finance |
| Banking Funding Company SA | Retail Banking |
| BASS Master Issuer NV | Retail Banking |
| BNPP Asset Management Be Holding | Asset Management |
| BNPP Asset Management Belgium | Asset Management |
| BNPP B Institutional II Court Terme | Investment companies and other subsidiaries |
| BNPP B Institutional II Short Term | Leasing Solutions |
| BNPP B Institutional II Treasury 17 | Leasing Solutions |
| BNPP Fortis | Retail Banking |
| BNPP Fortis Factor NV | Retail Banking |
| BNPP Fortis Private Equity Belgium | Retail Banking |
| BNPP Fortis Private Equity Expansion | Retail Banking |
| BNPP Fortis Private Equity Management | Retail Banking |
| BNPP Lease Group Belgium | Leasing Solutions |
| BNPP Real Estate Advisory Belgium SA | Real Estate Services |
| BNPP Real Estate Holding Benelux SA | Real Estate Services |
| BNPP Real Estate Investment Management Belgium | Real Estate Services |
| BNPP Real Estate Property Management Belgium | Real Estate Services |
| BNPP SA (Belgium branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Belgium branch) | Securities Services |
| Bpost Banque | Retail Banking |
| Cardif Assurance Vie (Belgium branch) | Insurance |
| Cardif Assurances Risques Divers (Belgium branch) | Insurance |
| CNH Industrial Capital Europe (Belgium branch) | Leasing Solutions |
| Cobema | Private Equity (BNP Paribas Capital) |
| Credissimo | Retail Banking |
| Credissimo Hainaut SA | Retail Banking |
| Crédit pour Habitations Sociales | Retail Banking |
| Demetris NV | Retail Banking |
| Eos Aremas Belgium SA NV | Personal Finance |
| ES Finance | Leasing Solutions |
| Esmee Master Issuer | Retail Banking |
| Favor Finance | Retail Banking |
| FL Zeebrugge | Leasing Solutions |
| Fortis Lease Belgium | Leasing Solutions |
| FScholen | Corporate and Institutional Banking |
| Immobilière Sauveniere SA | Retail Banking |
| Locadif | Arval |
| Novy Invest | Retail Banking |
| Opel Finance | Personal Finance |
| Opel Finance NV (Belgium Branch) | Personal Finance |
| Penne International | Retail Banking |
| Sagip | Investment companies and other subsidiaries |
| Studio 100 | Retail Banking |
| **Bulgaria** | |
| BNPP Personal Finance EAD | Personal Finance |
| BNPP SA (Bulgaria branch) | Corporate and Institutional Banking |
| Cardif Assurance Vie (Bulgaria branch) | Insurance |
| Cardif Assurances Risques Divers (Bulgaria branch) | Insurance |
| Direct Services EAD | Personal Finance |
| **Croatia** | |
| Cardif Osiguranje Dionicko Drustvo ZA | Insurance |
| **Czech Republic** | |
| Arval CZ SRO | Arval |
| BNPP Cardif Pojistovna AS | Insurance |
| BNPP Fortis (Czech Republic branch) | Corporate and Institutional Banking |
| BNPP Personal Finance (Czech Republic branch) | Personal Finance |
| BNPP Real Estate APM CR SRO (Ex- BNPP Real Estate Advisory & Property Management Czech Republic SRO) | Real Estate Services |
| BNPP SA (Czech Republic branch) | Corporate and Institutional Banking |
| **Denmark** | |
| Arval AS | Arval |
| BNPP Factor AS | Retail Banking |
| BNPP Fortis (Denmark branch) | Corporate and Institutional Banking |
| BNPP SA (Denmark branch) | Corporate and Institutional Banking |
| Cardif Forsakring AB (Denmark branch) | Insurance |
| Cardif Livforsakring AB (Denmark branch) | Insurance |
| Ekspres Bank AS | Personal Finance |
| **Finland** | |
| Alfred Berg Asset Management AB (Finland branch) | Asset Management |
| Alfred Berg Kapitalforvaltning Finland AB | Asset Management |
| Alfred Berg Rahastoyhtio OY | Asset Management |
| Arval OY | Arval |
| BNPP Fortis (Finland branch) | Corporate and Institutional Banking |
| BNPP SA (Finland branch) | Corporate and Institutional Banking |
| Elite Asset Management PLC | Asset Management |
| **France** | |
| Antin Participation 5 | Property companies (property used in operations) |
| Aprolis Finance | Leasing Solutions |
| Arius | Leasing Solutions |
| Artegy | Leasing Solutions |
| Artel | Arval |
| Arval Fleet Services | Arval |
| Arval Service Lease | Arval |
| Arval Trading | Arval |
| Atargatis | Corporate and Institutional Banking |
| Auguste Thouard Expertise | Real Estate Services |
| Austin Finance | Corporate and Institutional Banking |
| Axa Banque Financement | Personal Finance |
| B*Capital | Retail Banking |
| Banque de Wallis et Futuna | Retail Banking |
| Banque Solfea | Personal Finance |
| BNP Paribas SA | Banking |
| BNPP Actions Euroland | Insurance |
| BNPP Antilles Guyane | Retail Banking |
| BNPP Aqua | Insurance |
| BNPP Arbitrage | Corporate and Institutional Banking |
| BNPP Asset Management France | Asset Management |
| BNPP Asset Management Holding | Asset Management |
| BNPP Capital Partners | Asset Management |
| BNPP Cardif | Insurance |
| BNPP Convictions | Insurance |
| BNPP CP Cardif Alternative | Insurance |
| BNPP CP Cardif Private Debt | Insurance |

| Locations | Business |
|---|---|
| BNPP Dealing Services | Asset Management |
| BNPP Développement | Retail Banking |
| BNPP Développement Humain | Insurance |
| BNPP Diversipierre | Insurance |
| BNPP Factor | Retail Banking |
| BNPP France Crédit | Insurance |
| BNPP Global Senior Corporate Loans | Insurance |
| BNPP Home Loan SFH | Investment companies and other subsidiaries |
| BNPP Immobilier Promotion Immobilier d'Entreprise | Real Estate Services |
| BNPP Immobilier Promotion Résidentiel | Real Estate Services |
| BNPP Immobilier Résidences Services | Real Estate Services |
| BNPP Immobilier Résidentiel | Real Estate Services |
| BNPP Immobilier Résidentiel Service Clients | Real Estate Services |
| BNPP Immobilier Résidentiel Transaction & Conseil | Real Estate Services |
| BNPP Indice Euro | Insurance |
| BNPP IRB Participations | Europe-Mediterranean |
| BNPP Lease Group | Leasing Solutions |
| BNPP Nouvelle Calédonie | Retail Banking |
| BNPP Partners for Innovation | Investment companies and other subsidiaries |
| BNPP Personal Finance | Personal Finance |
| BNPP Public Sector SCF | Investment companies and other subsidiaries |
| BNPP Real Estate | Real Estate Services |
| BNPP Real Estate Consult France | Real Estate Services |
| BNPP Real Estate Financial Partner | Real Estate Services |
| BNPP Real Estate Hotels France | Real Estate Services |
| BNPP Real Estate Investment Management France | Real Estate Services |
| BNPP Real Estate Investment Services | Real Estate Services |
| BNPP Real Estate Property Management France SAS | Real Estate Services |
| BNPP Real Estate Transaction France | Real Estate Services |
| BNPP Real Estate Valuation France | Real Estate Services |
| BNPP Réunion | Retail Banking |
| BNPP Securities Services | Securities Services |
| BNPP SME 1 | Investment companies and other subsidiaries |
| Cafineo | Personal Finance |
| Camgestion | Asset Management |
| Camgestion Obliflexible | Insurance |
| Capital France Hotel | Insurance |
| Cardif Alternatives Part I | Insurance |
| Cardif Assurance Vie | Insurance |
| Cardif Assurances Risques Divers | Insurance |
| Cardif BNPP IP Convertibles World | Insurance |
| Cardif BNPP IP Equity Frontier Markets | Insurance |
| Cardif BNPP IP Signatures | Insurance |
| Cardif BNPP IP Smid Cap Euro | Insurance |
| Cardif BNPP IP Smid Cap Europe | Insurance |
| Cardif CPR Base Crédit | Insurance |
| Cardif Edrim Signatures | Insurance |
| Cardif I Services | Insurance |
| Cardif IARD | Insurance |
| Cardif Vita Convex Fund Eur | Insurance |
| Cardimmo | Insurance |
| Carma Grand Horizon SARL | Insurance |
| Carrefour Banque | Personal Finance |
| Cedrus Carbon Initiative Trends | Insurance |
| CFH Bercy | Insurance |
| CFH Bercy Hotel | Insurance |
| CFH Bercy Intermédiaire | Insurance |
| CFH Boulogne | Insurance |
| CFH Cap d'Ail | Insurance |
| CFH Montmartre | Insurance |
| CFH Montparnasse | Insurance |
| Claas Financial Services | Leasing Solutions |
| CMV Mediforce | Personal Finance |
| CNH Industrial Capital Europe | Leasing Solutions |
| Cofica Bail | Personal Finance |
| Cofiparc | Arval |
| Cofiplan | Personal Finance |
| Compagnie d'Investissement Italiens | Corporate and Institutional Banking |
| Compagnie d'Investissement Opéra | Corporate and Institutional Banking |
| Compagnie pour le Financement des Loisirs | Retail Banking |
| Copartis | Retail Banking |
| Corosa | Insurance |
| Crédit Moderne Antilles Guyane | Personal Finance |
| Crédit Moderne Océan Indien | Personal Finance |
| Domofinance | Personal Finance |
| Effico | Personal Finance |
| EP L | Insurance |
| Esomet | Corporate and Institutional Banking |
| FCC Retail ABS Finance Noria 2009 | Personal Finance |
| FCT F Carat | Personal Finance |

| Locations | Business |
|---|---|
| FCT Laffitte 2016 | Investment companies and other subsidiaries |
| FCT Opéra 2014 | Investment companies and other subsidiaries |
| FG Ingénierie et Promotion Immobilière | Real Estate Services |
| Fidecom | Personal Finance |
| Financière des Italiens | Corporate and Institutional Banking |
| Financière des Paiements Electroniques | New Digital Businesses |
| Financière du Marché Saint Honoré | Investment companies and other subsidiaries |
| Financière Paris Haussmann | Corporate and Institutional Banking |
| Financière Taitbout | Corporate and Institutional Banking |
| Fortis Lease | Leasing Solutions |
| FP Cardif Convex Fund USD | Insurance |
| Fundquest Advisor | Asset Management |
| GIE BNPP Cardif | Insurance |
| GIE Groupement Auxiliaire de Moyens | Investment companies and other subsidiaries |
| GIE Siège Issy | Real Estate Services |
| Hibernia France | Insurance |
| Icare | Insurance |
| Icare Assurance | Insurance |
| Immobilière des Bergues | Real Estate Services |
| JCB Finance | Leasing Solutions |
| Laffitte Participation 22 | Corporate and Institutional Banking |
| Leval 20 | Personal Finance |
| Loisirs Finance | Personal Finance |
| Lyf SA | New Digital Businesses |
| Lyf SAS | New Digital Businesses |
| Mediterranea | Corporate and Institutional Banking |
| MFF | Leasing Solutions |
| Natio Assurance | Insurance |
| Natio Fonds Ampère 1 | Insurance |
| Natio Fonds Athenes Investissement N 1 | Insurance |
| Natio Fonds Athenes Investissement N 5 | Insurance |
| Natio Fonds Colline International | Insurance |
| Natio Fonds Collines Investissement N 3 | Insurance |
| Natiocredibail | Leasing Solutions |
| New Alpha Cardif Incubator Fund | Insurance |
| Noria 2015 | Personal Finance |
| Norrsken Finance | Personal Finance |
| Olympia SAS | Personal Finance |
| Opel Bank | Personal Finance |
| Opéra Rendement | Insurance |
| Opéra Trading Capital | Corporate and Institutional Banking |
| Optichamps | Corporate and Institutional Banking |
| Parilease | Corporate and Institutional Banking |
| Participations Opéra | Corporate and Institutional Banking |
| Partner's & Services | Real Estate Services |
| Permal Cardif Co Investment Fund | Insurance |
| Portzamparc Société de Bourse | Retail Banking |
| Prêts et Services SAS | Personal Finance |
| Projeo | Personal Finance |
| Public Location Longue Durée | Arval |
| Retail Mobile Wallet | Personal Finance |
| Reumal Investissements | Insurance |
| Rueil Ariane | Insurance |
| Same Deutz Fahr Finance | Leasing Solutions |
| SAS HVP | Insurance |
| SCI 68 70 Rue de Lagny Montreuil | Insurance |
| SCI BNPP Pierre I | Insurance |
| SCI BNPP Pierre II | Insurance |
| SCI Bobigny Jean Rostand | Insurance |
| SCI Cardif Logement | Insurance |
| SCI Citylight Boulogne | Insurance |
| SCI Défense Etoile | Insurance |
| SCI Défense Vendome | Insurance |
| SCI Etoile du Nord | Insurance |
| SCI Fontenay Plaisance | Insurance |
| SCI Le Mans Gare | Insurance |
| SCI Nanterre Guilleraies | Insurance |
| SCI Nantes Carnot | Insurance |
| SCI Odyssée | Insurance |
| SCI Pantin Les Moulins | Insurance |
| SCI Paris Batignolles | Insurance |
| SCI Paris Cours de Vincennes | Insurance |
| SCI Porte d'Asnières | Insurance |
| SCI Portes de Claye | Insurance |
| SCI Rue Moussorgski | Insurance |
| SCI Rueil Caudron | Insurance |
| SCI Saint Denis Landy | Insurance |
| SCI Saint Denis Mitterrand | Insurance |
| SCI Scoo | Insurance |
| SCI Villeurbanne Stalingrad | Insurance |

| Locations | Business |
|---|---|
| Securitisation funds Autonoria | Personal Finance |
| Securitisation funds Domos | Personal Finance |
| SNC Conseil Investissement | Wealth Management |
| SNC Natiocredimurs | Leasing Solutions |
| SNC Taitbout Participation 3 | Corporate and Institutional Banking |
| Société Auxiliaire de Construction Immobilière | Investment companies and other subsidiaries |
| Société Francaise d'Assurances sur la Vie | Insurance |
| Société Immobilière du Marché Saint Honoré | Property companies (property used in operations) |
| Société Orbaisienne de Participations | Investment companies and other subsidiaries |
| Construction-Sale Companies (Real Estate programs) | Real Estate Services |
| Symag | Personal Finance |
| Theam | Asset Management |
| Tikehau Cardif Loan Europe | Insurance |
| UCB Bail 2 | Investment companies and other subsidiaries |
| Valeur Pierre Epargne | Insurance |
| Valtitres FCP | Insurance |
| Verner Investissements | Corporate and Institutional Banking |
| **Germany** | |
| 99 West Tower GmbH & Co KG | Real Estate Services |
| 99 West Tower GP GmbH | Real Estate Services |
| All In One Vermietungsgesellschaft für Telekommunicationsanlagen mbH | Leasing Solutions |
| Arval Deutschland GmbH | Arval |
| BGL BNPP (Germany branch) | Retail Banking |
| BNPP Asset Management Belgium (Germany branch) | Asset Management |
| BNPP Emissions Und Handels GmbH | Corporate and Institutional Banking |
| BNPP Factor GmbH | Retail Banking |
| BNPP Lease Group (Germany branch) | Leasing Solutions |
| BNPP Real Estate Consult GmbH | Real Estate Services |
| BNPP Real Estate GmbH | Real Estate Services |
| BNPP Real Estate Holding GmbH | Real Estate Services |
| BNPP Real Estate Investment Management Germany GmbH | Real Estate Services |
| BNPP Real Estate Property Management GmbH | Real Estate Services |
| BNPP SA (Germany branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Germany branch) | Securities Services |
| Cardif Assurance Vie (Germany branch) | Insurance |
| Cardif Assurances Risques Divers (Germany branch) | Insurance |
| Claas Financial Services (Germany branch) | Leasing Solutions |
| CNH Industrial Capital Europe (Germany branch) | Leasing Solutions |
| Commerz Finanz | Personal Finance |
| Folea Grundstucksverwaltungs und Vermietungs GmbH & Co | Leasing Solutions |
| Fortis Lease Deutschland GmbH | Leasing Solutions |
| Gesellschaft für Capital & Vermögensverwaltung GmbH | Personal Finance |
| Inkasso Kodat GmbH & Co KG | Personal Finance |
| JCB Finance (Germany branch) | Leasing Solutions |
| Opel Bank GmbH | Personal Finance |
| Opel Finance Germany Holdings GmbH | Personal Finance |
| Opel Leasing GmbH | Personal Finance |
| Von Essen Bank GmbH | Personal Finance |
| **Greece** | |
| Arval Hellas Car Rental SA | Arval |
| BNPP Securities Services (Greece branch) | Securities Services |
| Opel Bank GmbH (Greece Branch) | Personal Finance |
| **Hungary** | |
| Arval Magyarorszag KFT | Arval |
| BNPP Lease Group KFT | Leasing Solutions |
| BNPP Lease Group Lizing RT | Leasing Solutions |
| BNPP Real Estate Magyarorszag Tanacsado Es Ingatlankezelo ZRT (Ex- BNPP Real Estate Advisory & Property Management Hungary Ltd) | Real Estate Services |
| BNPP SA (Hungary branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Hungary branch) | Securities Services |
| Magyar Cetelem Bank ZRT | Personal Finance |
| Oney Magyarorszag ZRT | Personal Finance |
| UCB Ingatlanhitel ZRT | Personal Finance |
| **Ireland** | |
| Alectra Finance PLC | Corporate and Institutional Banking |
| Aquarius +Investments PLC | Corporate and Institutional Banking |
| Aries Capital DAC | Corporate and Institutional Banking |
| BGZ Poland ABS1 DAC | Europe-Mediterranean |
| BNPP Fund Administration Services Ireland Ltd | Securities Services |
| BNPP International Finance Dublin | Corporate and Institutional Banking |
| BNPP Ireland Unlimited Co | Corporate and Institutional Banking |
| BNPP Prime Brokerage International Ltd | Corporate and Institutional Banking |
| BNPP Real Estate Advisory and Property Management Ireland Ltd | Real Estate Services |
| BNPP SA (Ireland branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Ireland branch) | Securities Services |
| BNPP Vartry Reinsurance DAC | Corporate and Institutional Banking |
| Darnell DAC (Ex- Darnell Ltd) | Insurance |
| G C Thematic Opportunities II | Insurance |
| Greenval Insurance DAC (Ex- Greenval Insurance Co Ltd) | Arval |

| Locations | Business |
|---|---|
| Madison Arbor Ltd | Corporate and Institutional Banking |
| Matchpoint Finance PLC | Corporate and Institutional Banking |
| Omega Capital Funding Ltd | Corporate and Institutional Banking |
| Omega Capital Investments PLC | Corporate and Institutional Banking |
| Opel Bank GmbH (Ireland branch) | Personal Finance |
| Utexam Logistics Ltd | Corporate and Institutional Banking |
| Utexam Solutions Ltd | Corporate and Institutional Banking |
| **Italy** | |
| Artigiancassa SPA | Retail Banking |
| Arval Italy Fleet Services SRL | Arval |
| Arval Service Lease Italia SPA | Arval |
| Banca Nazionale Del Lavoro SPA | Retail Banking |
| BNL Finance SPA | Retail Banking |
| BNL Positivity SRL | Retail Banking |
| BNPP Cardif Vita Compagnia di Assicurazione E Riassicurazione SPA | Insurance |
| BNPP Investment Partners SGR SPA | Asset Management |
| BNPP Lease Group (Italy branch) | Leasing Solutions |
| BNPP Lease Group Leasing Solutions SPA | Leasing Solutions |
| BNPP Real Estate Advisory Italy SPA | Real Estate Services |
| BNPP Real Estate Investment Management Germany GmbH (Italy branch) | Real Estate Services |
| BNPP Real Estate Investment Management Italy SPA | Real Estate Services |
| BNPP Real Estate Italy SRL | Real Estate Services |
| BNPP Real Estate Property Developpement Italy SPA | Real Estate Services |
| BNPP Real Estate Property Management Italy SRL | Real Estate Services |
| BNPP Rental Solutions SPA (Ex- Locatrice Italiana SPA) | Leasing Solutions |
| BNPP SA (Italy branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Italy branch) | Securities Services |
| Business Partner Italia SCPA | Retail Banking |
| Cardif Assurance Vie (Italy branch) | Insurance |
| Cardif Assurances Risques Divers (Italy branch) | Insurance |
| Cargeas Assicurazioni SPA | Insurance |
| Cartolarizzazione Auto Receivable's SRL | Personal Finance |
| CFH Algonquin Management Partners France Italia | Insurance |
| CFH Milan Holdco SRL | Insurance |
| Claas Financial Services (Italy branch) | Leasing Solutions |
| CNH Industrial Capital Europe (Italy branch) | Leasing Solutions |
| EMF IT 2008 1 SRL | Retail Banking |
| Findomestic Banca SPA | Personal Finance |
| Florence 1 SRL | Personal Finance |
| Florence SPV SRL | Personal Finance |
| Fundamenta | Insurance |
| Horti Milano SRL | Real Estate Services |
| I Carat SRL | Personal Finance |
| International Factors Italia SPA | Retail Banking |
| JCB Finance (Italy branch) | Leasing Solutions |
| Locchi SRL | Real Estate Services |
| Opel Finance SPA | Personal Finance |
| Servizio Italia SPA | Retail Banking |
| Sviluppo HQ Tiburtina SRL | Retail Banking |
| Sviluppo Residenziale Italia SRL | Real Estate Services |
| Tierre Securitisation SRL | Retail Banking |
| Vela ABS SRL | Retail Banking |
| Vela Consumer 2 SRL | Retail Banking |
| Vela Consumer SRL | Retail Banking |
| Vela Home SRL | Retail Banking |
| Vela Mortgages SRL | Retail Banking |
| Vela OBG SRL | Retail Banking |
| Vela RMBS SRL | Retail Banking |
| **Luxembourg** | |
| Arval Luxembourg SA | Arval |
| BGL BNPP | Retail Banking |
| BNPP Asset Management Luxembourg | Asset Management |
| BNPP Fortis Funding SA | Retail Banking |
| BNPP Lease Group Luxembourg SA | Retail Banking |
| BNPP Leasing Solutions | Leasing Solutions |
| BNPP Real Estate Advisory & Property Management Luxembourg SA | Real Estate Services |
| BNPP Real Estate Investment Management Luxembourg SA | Real Estate Services |
| BNPP SA (Luxembourg branch) | Corporate and Institutional Banking |
| BNPP SB Re | Investment companies and other subsidiaries |
| BNPP Securities Services (Luxembourg branch) | Securities Services |
| Cardif Assurances Risques Divers (Luxembourg branch) | Insurance |
| Cardif Lux Vie | Insurance |
| Cofhylux SA | Retail Banking |
| Compagnie Financière Ottomane SA | Private Equity (BNP Paribas Capital) |
| Ecarat SA | Personal Finance |
| Financière Hime SA | Corporate and Institutional Banking |
| Fund Channel | Asset Management |
| Greenstars BNPP | Corporate and Institutional Banking |
| Hime Holding 1 SA | Corporate and Institutional Banking |
| Hime Holding 2 SA | Corporate and Institutional Banking |

| Locations | Business |
|---|---|
| Hime Holding 3 SA | Corporate and Institutional Banking |
| Le Sphinx Assurances Luxembourg SA | Investment companies and other subsidiaries |
| Lion International Investments SA | Investment companies and other subsidiaries |
| Plagefin SA | Investment companies and other subsidiaries |
| Pyrotex GB 1 SA | Real Estate Services |
| Pyrotex SARL | Real Estate Services |
| Securely Transferred Auto Receivables II SA | Personal Finance |
| Société Immobilière du Royal Building SA | Insurance |
| **Netherlands** | |
| Alpha Murcia Holding BV | Corporate and Institutional Banking |
| Arval Benelux BV | Arval |
| Arval BV | Arval |
| Arval Fleet Services BV | Arval |
| BNPP Asset Management Nederland NV | Asset Management |
| BNPP Asset Management Netherlands NV | Asset Management |
| BNPP Asset Management NL Holding NV | Asset Management |
| BNPP Cardif BV | Insurance |
| BNPP Cardif Levensverzekeringen NV | Insurance |
| BNPP Cardif Schadeverzekeringen NV | Insurance |
| BNPP Factor Deutschland BV | Retail Banking |
| BNPP Factor NV | Retail Banking |
| BNPP Factoring Coverage Europe Holding NV | Retail Banking |
| BNPP Fortis (Netherlands branch) | Corporate and Institutional Banking |
| BNPP Invest Holdings BV | Corporate and Institutional Banking |
| BNPP Islamic Issuance BV | Corporate and Institutional Banking |
| BNPP Issuance BV | Corporate and Institutional Banking |
| BNPP Leasing Solutions NV | Leasing Solutions |
| BNPP Personal Finance BV | Personal Finance |
| BNPP Real Estate Advisory Netherlands BV | Real Estate Services |
| BNPP Real Estate Holding Netherlands BV (Ex- Atisreal Netherlands BV) | Real Estate Services |
| BNPP SA (Netherlands branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Netherlands branch) | Securities Services |
| Boug BV | Corporate and Institutional Banking |
| CNH Industrial Capital Europe BV | Leasing Solutions |
| Fortis Vastgoedlease BV | Leasing Solutions |
| Opel Finance International BV | Personal Finance |
| Opel Finance NV | Personal Finance |
| Phedina Hypotheken 2010 BV | Personal Finance |
| Phedina Hypotheken 2013 I BV | Personal Finance |
| **Poland** | |
| Arval Service Lease Polska SP ZOO | Arval |
| Bank BGZ BNPP SA | Europe-Mediterranean |
| BGZ BNPP Faktoring Spolka ZOO | Europe-Mediterranean |
| BNPP Lease Group SP ZOO | Leasing Solutions |
| BNPP Leasing Services | Leasing Solutions |
| BNPP Real Estate Poland SP ZOO | Real Estate Services |
| BNPP SA (Poland branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Poland branch) | Securities Services |
| Cardif Assurances Risques Divers (Poland branch) | Insurance |
| Cardif Polska Towarzystwo Ubezpieczen Na Zycie SA | Insurance |
| Claas Financial Services (Poland branch) | Leasing Solutions |
| CNH Industrial Capital Europe (Poland branch) | Leasing Solutions |
| **Portugal** | |
| Arval Service Lease Aluger Operational Automoveis SA | Arval |
| Banco BNPP Personal Finance SA | Personal Finance |
| BNPP Factor Sociedade Financeira de Credito SA | Retail Banking |
| BNPP Lease Group (Portugal branch) | Leasing Solutions |
| BNPP SA (Portugal branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Portugal branch) | Securities Services |
| Cardif Assurance Vie (Portugal branch) | Insurance |
| Cardif Assurances Risques Divers (Portugal branch) | Insurance |
| Fortis Lease Portugal | Leasing Solutions |
| **Romania** | |
| Arval Service Lease Romania SRL | Arval |
| BNPP Fortis (Romania branch) | Corporate and Institutional Banking |
| BNPP Leasing Solutions IFN SA (Ex- BNPP Lease Group IFN SA) | Leasing Solutions |
| BNPP Real Estate Advisory SA | Real Estate Services |
| BNPP SA (Romania branch) | Corporate and Institutional Banking |
| Cardif Assurance Vie (Romania branch) | Insurance |
| Cardif Assurances Risques Divers (Romania branch) | Insurance |
| Cetelem IFN | Personal Finance |
| RD Portofoliu SRL | Leasing Solutions |
| **Slovakia** | |
| Arval Slovakia SRO | Arval |
| BNPP Personal Finance (Slovakia branch) | Personal Finance |
| Poistovna Cardif Slovakia AS | Insurance |
| **Spain** | |
| Arval Service Lease SA | Arval |
| Banco Cetelem SAU | Personal Finance |
| BNPP Espana SA | Wealth Management |

| Locations | Business |
|---|---|
| BNPP Factor (Spain branch) | Retail Banking |
| BNPP Fortis (Spain branch) | Corporate and Institutional Banking |
| BNPP Lease Group (Spain branch) | Leasing Solutions |
| BNPP Real Estate Advisory Spain SA | Real Estate Services |
| BNPP Real Estate Investment Management Germany GmbH (Spain branch) | Real Estate Services |
| BNPP Real Estate Investment Management Spain SA | Real Estate Services |
| BNPP Real Estate Property Management Spain SA | Real Estate Services |
| BNPP SA (Spain branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Spain branch) | Securities Services |
| Cardif Assurance Vie (Spain branch) | Insurance |
| Cardif Assurances Risques Divers (Spain branch) | Insurance |
| Claas Financial Services (Spain branch) | Leasing Solutions |
| CNH Industrial Capital Europe (Spain branch) | Leasing Solutions |
| Fortis Lease Iberia SA | Leasing Solutions |
| GCC Consumo Establecimiento Financiero de Credito SA | Personal Finance |
| International Development Resources AS Services SA (ex Effico Iberia) | Personal Finance |
| SC Nueva Condo Murcia SL | Corporate and Institutional Banking |
| Securitisation funds UCI and Prado | Personal Finance |
| Servicios Financieros Carrefour EFC SA | Personal Finance |
| Union de Creditos Inmobiliarios SA | Personal Finance |
| **Sweden** | |
| Alfred Berg Asset Management AB | Asset Management |
| Alfred Berg Fonder AB | Asset Management |
| Alfred Berg Kapitalforvaltning AB | Asset Management |
| Arval AB | Arval |
| BNPP Fortis (Sweden branch) | Corporate and Institutional Banking |
| BNPP SA (Sweden branch) | Corporate and Institutional Banking |
| Cardif Forsakring AB | Insurance |
| Cardif Livforsakring AB | Insurance |
| Cardif Nordic AB | Insurance |
| Opel Finance AB | Personal Finance |
| Sevenday Finans AB | Personal Finance |
| **United Kingdom** | |
| Albury Asset Rentals Ltd | Leasing Solutions |
| Arval UK Group Ltd | Arval |
| Arval UK Leasing Services Ltd | Arval |
| Arval UK Ltd | Arval |
| BNP PUK Holding Ltd | Corporate and Institutional Banking |
| BNPP Arbitrage (UK branch) | Corporate and Institutional Banking |
| BNPP Asset Management UK Ltd | Asset Management |
| BNPP Commercial Finance Ltd | Retail Banking |
| BNPP Commodity Futures Ltd | Corporate and Institutional Banking |
| BNPP Dealing Services (UK branch) | Asset Management |
| BNPP Fleet Holdings Ltd | Arval |
| BNPP Investments N 1 Ltd | Corporate and Institutional Banking |
| BNPP Investments N 2 Ltd | Corporate and Institutional Banking |
| BNPP Lease Group PLC | Leasing Solutions |
| BNPP Lease Group Rentals Ltd | Leasing Solutions |
| BNPP Leasing Solutions Ltd | Leasing Solutions |
| BNPP Net Ltd | Corporate and Institutional Banking |
| BNPP Real Estate Advisory & Property Management UK Ltd | Real Estate Services |
| BNPP Real Estate Facilities Management Ltd | Real Estate Services |
| BNPP Real Estate Investment Management Ltd | Real Estate Services |
| BNPP Real Estate Investment Management UK Ltd | Real Estate Services |
| BNPP Real Estate Property Development UK Ltd | Real Estate Services |
| BNPP Rental Solutions Ltd | Leasing Solutions |
| BNPP SA (UK branch) | Corporate and Institutional Banking |
| BNPP Securities Services (UK branch) | Securities Services |
| BNPP UK Holdings Ltd | Corporate and Institutional Banking |
| BNPP UK Ltd | Corporate and Institutional Banking |
| Boug BV (UK branch) | Corporate and Institutional Banking |
| Cardif Pinnacle Insurance Holdings PLC | Insurance |
| Cardif Pinnacle Insurance Management Services PLC | Insurance |
| CB UK Ltd | Insurance |
| Claas Financial Services Ltd | Leasing Solutions |
| CNH Industrial Capital Europe Ltd | Leasing Solutions |
| Cofinoga Funding Two LP | Personal Finance |
| Commercial Vehicle Finance Ltd | Leasing Solutions |
| Creation Consumer Finance Ltd | Personal Finance |
| Creation Financial Services Ltd | Personal Finance |
| Ecarat 4 PLC | Personal Finance |
| Ecarat 5 PLC | Personal Finance |
| Ecarat 6 PLC | Personal Finance |
| Ecarat 7 PLC | Personal Finance |
| Ecarat 8 PLC | Personal Finance |
| Fortis Lease UK Ltd | Leasing Solutions |
| FundQuest Advisor (UK branch) | Asset Management |
| Harewood Holdings Ltd | Corporate and Institutional Banking |
| Humberclyde Commercial Investments Ltd | Leasing Solutions |
| Impax Asset Management Group PLC | Asset Management |

| Locations | Business |
|---|---|
| JCB Finance Holdings Ltd | Leasing Solutions |
| Landspire Ltd | Corporate and Institutional Banking |
| Laser ABS 2017 Holding Ltd | Personal Finance |
| Laser ABS 2017 PLC | Personal Finance |
| Manitou Finance Ltd | Leasing Solutions |
| Opéra Trading Capital (UK branch) | Corporate and Institutional Banking |
| OPVF Europe Holdco Ltd | Personal Finance |
| OPVF Holdings UK Ltd | Personal Finance |
| Parker Tower Ltd | Real Estate Services |
| Pinnacle Insurance PLC | Insurance |
| REPD Parker Ltd | Real Estate Services |
| Same Deutz Fahr Finance Ltd | Leasing Solutions |
| Sygma Funding Two Ltd | Personal Finance |
| Vault Funding Ltd | Personal Finance |
| Vauxhall Finance PLC | Personal Finance |
| Warf 2012 Ltd | Personal Finance |
| **Other European countries** | |
| **Guernsey** | |
| BNPP Securities Services (Guernsey branch) | Securities Services |
| BNPP Suisse SA (Guernsey branch) | Banking |
| **Jersey** | |
| BNPP Real Estate Jersey Ltd | Real Estate Services |
| BNPP SA (Jersey branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Jersey branch) | Securities Services |
| Scaldis Capital Ltd | Corporate and Institutional Banking |
| **Monaco** | |
| BNPP SA (Monaco branch) | Retail Banking |
| BNPP Wealth Management Monaco | Wealth Management |
| **Norway** | |
| Alfred Berg Asset Management AB (Norway branch) | Asset Management |
| Alfred Berg Kapitalforvaltning AS | Asset Management |
| BNPP Fortis (Norway branch) | Corporate and Institutional Banking |
| BNPP SA (Norway branch) | Corporate and Institutional Banking |
| Cardif Forsakring AB (Norway branch) | Insurance |
| Cardif Livforsakring AB (Norway branch) | Insurance |
| Ekspres Bank AS (Norway branch) | Personal Finance |
| **Russia** | |
| Arval LLC (Ex- Arval OOO) | Arval |
| BNPP Bank JSC | Corporate and Institutional Banking |
| Cardif Insurance Co LLC | Insurance |
| Cetelem Bank LLC | Personal Finance |
| **Serbia** | |
| Findomestic Banka AD | Personal Finance |
| TEB SH A | Europe-Mediterranean |
| **Switzerland** | |
| Arval Schweiz AG | Arval |
| BNPP Leasing Solutions Suisse SA | Leasing Solutions |
| BNPP Securities Services (Switzerland branch) | Securities Services |
| BNPP Suisse SA | Banking |
| Cardif Assurance Vie (Switzerland branch) | Insurance |
| Cardif Assurances Risques Divers (Switzerland branch) | Insurance |
| Opel Finance SA | Personal Finance |
| **Ukraine** | |
| IC Axa Insurance JSC | Europe-Mediterranean |
| UkrSibbank Public JSC | Europe-Mediterranean |
| **Africa & Mediterranean basin** | |
| **Algeria** | |
| BNPP El Djazair | Europe-Mediterranean |
| Cardif El Djazair | Insurance |
| **Bahrain** | |
| BNPP SA (Bahrain branch) | Corporate and Institutional Banking |
| **Burkina Faso** | |
| Banque Internationale pour le Commerce et l'Industrie du Burkina Faso | Europe-Mediterranean |
| **Gabon** | |
| Banque Internationale pour le Commerce et l'Industrie du Gabon | Europe-Mediterranean |
| **Guinea** | |
| Banque Internationale pour le Commerce et l'Industrie de la Guinée | Europe-Mediterranean |
| **Ivory Coast** | |
| Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire | Europe-Mediterranean |
| BICI Bourse | Europe-Mediterranean |
| **Kuwait** | |
| BNPP SA (Kuwait branch) | Corporate and Institutional Banking |
| **Mali** | |
| Banque Internationale pour le Commerce et l'Industrie du Mali | Europe-Mediterranean |
| **Morocco** | |
| Arval Maroc SA | Arval |
| Banque Marocaine pour le Commerce et l'Industrie | Europe-Mediterranean |
| Banque Marocaine pour le Commerce et l'Industrie Banque Offshore | Europe-Mediterranean |
| BMCI Asset Management | Europe-Mediterranean |
| BMCI Assurance SARL | Europe-Mediterranean |

| Locations | Business |
|---|---|
| BMCI Leasing | Europe-Mediterranean |
| **Qatar** | |
| BNPP SA (Qatar branch) | Corporate and Institutional Banking |
| **Saudi Arabia** | |
| BNPP Investment Co KSA | Corporate and Institutional Banking |
| BNPP SA (Saudi Arabia branch) | Corporate and Institutional Banking |
| **Senegal** | |
| Banque Internationale pour le Commerce et l'Industrie du Sénégal | Europe-Mediterranean |
| **South Africa** | |
| BNPP Personal Finance South Africa Ltd (Ex- RCS Investment Holdings Ltd) | Personal Finance |
| BNPP SA (South Africa branch) | Corporate and Institutional Banking |
| BNPP Securities South Africa Holdings Pty Ltd | Corporate and Institutional Banking |
| BNPP Securities South Africa Pty Ltd | Corporate and Institutional Banking |
| RCS Cards Pty Ltd | Personal Finance |
| **Tunisia** | |
| Union Bancaire pour le Commerce et l'Industrie | Europe-Mediterranean |
| **Turkey** | |
| BNPP Cardif Emeklilik AS | Insurance |
| BNPP Cardif Hayat Sigorta AS | Insurance |
| BNPP Finansal Kiralama AS | Leasing Solutions |
| BNPP Fortis Yatirimlar Holding AS | Europe-Mediterranean |
| BNPP Yatirimlar Holding AS | Europe-Mediterranean |
| TEB Arval Arac Filo Kiralama AS | Arval |
| TEB Faktoring AS | Europe-Mediterranean |
| TEB Finansman AS | Personal Finance |
| TEB Holding AS | Europe-Mediterranean |
| TEB Portfoy Yonetimi AS | Europe-Mediterranean |
| TEB Yatirim Menkul Degerler AS | Europe-Mediterranean |
| Turk Ekonomi Bankasi AS | Europe-Mediterranean |
| **United Arab Emirates** | |
| BNPP Real Estate (United Arab Emirates branch) | Real Estate Services |
| BNPP SA (United Arab Emirates branch) | Corporate and Institutional Banking |
| **Americas** | |
| **Argentina** | |
| Banco Cetelem Argentina SA | Personal Finance |
| Banco de Servicios Financieros SA | Personal Finance |
| BNPP Investment Partners Argentina SA | Asset Management |
| BNPP SA (Argentina branch) | Corporate and Institutional Banking |
| Cardif Seguros SA | Insurance |
| Cardif Servicios SA | Insurance |
| **Brazil** | |
| Arval Brasil Ltda | Arval |
| Banco BNPP Brasil SA | Corporate and Institutional Banking |
| Banco Cetelem SA | Personal Finance |
| BGN Mercantil E Servicos Ltda | Personal Finance |
| BNPP Asset Management Brasil Ltda | Asset Management |
| BNPP EQD Brazil Fund Fundo de Investmento Multimercado | Corporate and Institutional Banking |
| BNPP Proprietario Fundo de Investimento Multimercado | Corporate and Institutional Banking |
| Cardif do Brasil Seguros e Garantias SA | Insurance |
| Cardif do Brasil Vida e Previdencia SA | Insurance |
| Cetelem America Ltda | Personal Finance |
| Cetelem Servicos Ltda | Personal Finance |
| Luizaseg | Insurance |
| NCVP Participacoes Societarias SA | Insurance |
| **Canada** | |
| BNPP Canada Corp | Corporate and Institutional Banking |
| BNPP Canada Valeurs Mobilières Inc | Corporate and Institutional Banking |
| BNPP IT Solutions Canada Inc | Corporate and Institutional Banking |
| BNPP SA (Canada branch) | Corporate and Institutional Banking |
| **Cayman Islands** | |
| BNPP SA (Cayman Islands branch) | Corporate and Institutional Banking |
| **Chile** | |
| Bancoestado Administradora General de Fondos SA | Asset Management |
| BNPP Cardif Seguros de Vida SA | Insurance |
| BNPP Cardif Seguros Generales SA | Insurance |
| BNPP Cardif Servicios y Asistencia Ltda | Insurance |
| **Colombia** | |
| BNPP Colombia Corporacion Financiera SA | Corporate and Institutional Banking |
| Cardif Colombia Seguros Generales SA | Insurance |
| **Mexico** | |
| BNPP Investment Partners Latam SA de CV | Asset Management |
| BNPP Personal Finance SA de CV | Personal Finance |
| Cardif Mexico Seguros de Vida SA de CV | Insurance |
| Cardif Mexico Seguros Generales SA de CV | Insurance |
| **Panama**[(1)] | |
| BNPP SA (Panama branch) – in liquidation | Corporate and Institutional Banking |
| **Peru** | |
| BNPP Cardif Compania de Seguros y Reaseguros SA (Ex- Cardif del Peru Compania de Seguros SA) | Insurance |

| Locations | Business |
|---|---|
| United States of America | |
| 1897 Services Corp | Retail Banking |
| BancWest Corp | Retail Banking |
| BancWest Holding Inc | Retail Banking |
| BancWest Investment Services Inc | Retail Banking |
| Banexi Holding Corp | Corporate and Institutional Banking |
| Bank of the West | Retail Banking |
| Bank of the West Auto Trust 2014-1 | Retail Banking |
| Bank of the West Auto Trust 2015-1 | Retail Banking |
| Bank of the West Auto Trust 2016-2 | Retail Banking |
| Bank of the West Auto Trust 2017-1 (Ex- Bank of the West Auto Trust 2016-1) | Retail Banking |
| Bishop Street Capital Management Corp | Retail Banking |
| BNPP Asset Management USA Holdings Inc | Asset Management |
| BNPP Asset Management USA Inc (Ex- Fischer Francis Trees & Watts Inc) | Asset Management |
| BNPP Capital Services Inc | Corporate and Institutional Banking |
| BNPP CC Inc | Corporate and Institutional Banking |
| BNPP Energy Trading GP | Corporate and Institutional Banking |
| BNPP Energy Trading Holdings Inc | Corporate and Institutional Banking |
| BNPP Energy Trading LLC | Corporate and Institutional Banking |
| BNPP Fortis (USA branch) | Corporate and Institutional Banking |
| BNPP FS LLC | Corporate and Institutional Banking |
| BNPP Leasing Corp | Corporate and Institutional Banking |
| BNPP Prime Brokerage Inc | Corporate and Institutional Banking |
| BNPP RCC Inc | Corporate and Institutional Banking |
| BNPP SA (USA branch) | Corporate and Institutional Banking |
| BNPP Securities Corp | Corporate and Institutional Banking |
| BNPP US Wholesale Holdings Corp (Ex- BNPP North America) | Corporate and Institutional Banking |
| BNPP USA Inc | Corporate and Institutional Banking |
| BNPP VPG Adonis LLC | Corporate and Institutional Banking |
| BNPP VPG Brookfin LLC | Corporate and Institutional Banking |
| BNPP VPG Brookline Cre LLC | Corporate and Institutional Banking |
| BNPP VPG CT Holdings LLC | Corporate and Institutional Banking |
| BNPP VPG EDMC Holdings LLC | Corporate and Institutional Banking |
| BNPP VPG Express LLC | Corporate and Institutional Banking |
| BNPP VPG Freedom Communications LLC | Corporate and Institutional Banking |
| BNPP VPG Legacy Cabinets LLC | Corporate and Institutional Banking |
| BNPP VPG Mark IV LLC | Corporate and Institutional Banking |
| BNPP VPG Master LLC | Corporate and Institutional Banking |
| BNPP VPG Medianews Group LLC | Corporate and Institutional Banking |
| BNPP VPG Northstar LLC | Corporate and Institutional Banking |
| BNPP VPG Pacex LLC | Corporate and Institutional Banking |
| BNPP VPG PCMC LLC | Corporate and Institutional Banking |
| BNPP VPG SBX Holdings LLC | Corporate and Institutional Banking |
| BNPP VPG SDI Media Holdings LLC | Corporate and Institutional Banking |
| BOW Auto Receivables LLC | Retail Banking |
| Center Club Inc | Retail Banking |
| CFB Community Development Corp | Retail Banking |
| Claas Financial Services LLC | Retail Banking |
| Commercial Federal Affordable Housing Inc | Retail Banking |
| Commercial Federal Community Development Corp | Retail Banking |
| Commercial Federal Insurance Corp | Retail Banking |
| Commercial Federal Investment Service Inc | Retail Banking |
| FHB Guam Trust Co | Retail Banking |
| FHL SPC One Inc | Retail Banking |
| First Bancorp | Retail Banking |
| First Hawaiian Bank | Retail Banking |
| First Hawaiian Inc | Retail Banking |
| First Hawaiian Leasing Inc | Retail Banking |
| First National Bancorporation | Retail Banking |
| First Santa Clara Corp | Retail Banking |
| French American Banking Corp | Corporate and Institutional Banking |
| FSI Holdings Inc | Corporate and Institutional Banking |
| Glendale Corporate Center Acquisition LLC | Retail Banking |
| LACMTA Rail Statutory Trust FH1 | Retail Banking |
| Liberty Leasing Co | Retail Banking |
| Mountain Falls Acquisition Corp | Retail Banking |
| Ozcar Multi Strategies LLC | Corporate and Institutional Banking |
| Real Estate Delivery 2 Inc | Retail Banking |
| Riverwalk Village Three Holdings LLC | Retail Banking |
| Santa Rita Townhomes Acquisition LLC | Retail Banking |
| ST 2001 FH 1 Statutory Trust | Retail Banking |
| Starbird Funding Corp | Corporate and Institutional Banking |
| The Bankers Club Inc | Retail Banking |
| Ursus Real Estate Inc | Retail Banking |
| Via North America Inc | Corporate and Institutional Banking |
| VPG SDI Media LLC | Corporate and Institutional Banking |
| VTA 1998 FH | Retail Banking |
| **Asia & Pacific** | |
| **Australia** | |
| BNP Pacific Australia Ltd | Corporate and Institutional Banking |
| BNPP Amber Holdings Pty Ltd | Corporate and Institutional Banking |

| Locations | Business |
|---|---|
| BNPP Asset Management Australia Ltd | Asset Management |
| BNPP Fund Services Australasia Pty Ltd | Securities Services |
| BNPP Investment Partners Australia Holdings Pty Ltd | Asset Management |
| BNPP SA (Australia branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Australia branch) | Securities Services |
| **China** | |
| Arval Jiutong Co Ltd | Arval |
| Bank of Nanjing | Europe-Mediterranean |
| BNPP China Ltd | Corporate and Institutional Banking |
| BNPP Commodities Trading Shanghai Co Ltd | Corporate and Institutional Banking |
| BOB Cardif Life Insurance Co Ltd | Insurance |
| Genius Auto Finance Co Ltd | Personal Finance |
| Haitong Fortis Private Equity Fund Management Co Ltd | Asset Management |
| HFT Investment Management Co Ltd | Asset Management |
| Suning Consumer Finance Co Ltd | Personal Finance |
| **Hong Kong** | |
| BNPP Arbitrage Hong Kong Ltd | Corporate and Institutional Banking |
| BNPP Asset Management Asia Ltd | Asset Management |
| BNPP Dealing Services Asia Ltd | Asset Management |
| BNPP Finance Hong Kong Ltd | Corporate and Institutional Banking |
| BNPP SA (Hong Kong branch) | Corporate and Institutional Banking |
| BNPP Securities Asia Ltd | Corporate and Institutional Banking |
| BNPP Securities Services (Hong Kong branch) | Securities Services |
| BNPP SJ Ltd | Corporate and Institutional Banking |
| Opéra Trading Capital (Hong Kong branch) | Corporate and Institutional Banking |
| **India** | |
| Arval India Private Ltd | Arval |
| BNPP Asset Management India Private Ltd | Asset Management |
| BNPP Global Securities Operations Private Ltd | Securities Services |
| BNPP India Holding Private Ltd | Corporate and Institutional Banking |
| BNPP India Solutions Private Ltd | Corporate and Institutional Banking |
| BNPP SA (India branch) | Corporate and Institutional Banking |
| BNPP Securities India Private Ltd | Corporate and Institutional Banking |
| Geojit Technologies Private Ltd | Personal Investors |
| Human Value Developers Private Ltd | Personal Investors |
| Sharekhan Financial Services Private Ltd | Personal Investors |
| Sharekhan Ltd | Personal Investors |
| State Bank of India Life Insurance Co Ltd | Insurance |
| Sundaram BNPP Home Finance Ltd | Personal Finance |
| **Indonesia** | |
| Bank BNPP Indonesia PT | Corporate and Institutional Banking |
| BNPP Investment Partners PT | Asset Management |
| BNPP Sekuritas Indonesia PT (Ex- BNPP Securities Indonesia PT) | Corporate and Institutional Banking |
| **Japan** | |
| BNPP Asset Management Japan Ltd | Asset Management |
| BNPP SA (Japan branch) | Corporate and Institutional Banking |
| BNPP Securities Japan Ltd | Corporate and Institutional Banking |
| BNPP SJ Ltd (Japan branch) | Corporate and Institutional Banking |
| Cardif Assurance Vie (Japan branch) | Insurance |
| Cardif Assurances Risques Divers (Japan branch) | Insurance |
| **Malaysia** | |
| BNPP Malaysia Berhad | Corporate and Institutional Banking |
| BNPP SA (Malaysia branch) | Corporate and Institutional Banking |
| **New Zealand** | |
| BNPP Fund Services Australasia Pty Ltd (New Zealand branch) | Securities Services |
| **Philippines** | |
| BNPP SA (Philippines branch) | Corporate and Institutional Banking |
| **Republic of Korea** | |
| BNPP Cardif General Insurance Co Ltd | Insurance |
| BNPP SA (Republic of Korea branch) | Corporate and Institutional Banking |
| BNPP Securities Korea Co Ltd | Corporate and Institutional Banking |
| Cardif Life Insurance Co Ltd | Insurance |
| Shinhan BNPP Asset Management Co Ltd | Asset Management |
| **Singapore** | |
| BNPP Asset Management Singapore Ltd | Asset Management |
| BNPP SA (Singapore branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Singapore branch) | Securities Services |
| BNPP Securities Singapore Pte Ltd | Corporate and Institutional Banking |
| BPP Holdings Pte Ltd | Corporate and Institutional Banking |
| **Taiwan** | |
| BNPP Cardif TCB Life Insurance Co Ltd | Insurance |
| BNPP SA (Taiwan branch) | Corporate and Institutional Banking |
| BNPP Securities Taiwan Co Ltd | Corporate and Institutional Banking |
| Cardif Assurance Vie (Taiwan branch) | Insurance |
| Cardif Assurances Risques Divers (Taiwan branch) | Insurance |
| **Thailand** | |
| BNPP SA (Thailand branch) | Corporate and Institutional Banking |
| **Viet Nam** | |
| BNPP SA (Viet Nam branch) | Corporate and Institutional Banking |

(1) *The liquidation process of the entity located in Panama, initiated in July 2010, is pending approval from the local regulator.*

## II. PROFIT AND LOSS ACCOUNT ITEMS AND HEADCOUNT BY COUNTRY

| | FY 2017(*) (in EUR million) | | | | | | Financial headcount(**) as at 31 December 2017 |
|---|---|---|---|---|---|---|---|
| | Revenues | Public subsidies received | Income before Tax | Current tax expense | Defered tax | Corporate income tax | |
| **European Union member States** | | | | | | | |
| Austria | 40 | 0 | (14) | (1) | 1 | 0 | 262 |
| Belgium | 4,658 | 0 | 1,697 | (77) | (538) | (613) | 15,112 |
| Bulgaria | 61 | 0 | 28 | (3) | 0 | (3) | 827 |
| Czech Republic | 112 | 0 | 52 | (7) | 5 | (3) | 722 |
| Denmark | 70 | 0 | 31 | (8) | (1) | (8) | 225 |
| Finland | 3 | 0 | (1) | 0 | 0 | 0 | 21 |
| France | 13,887 | 0 | 1,988 | (513) | 21 | (493) | 57,243 |
| Germany | 1,530 | 0 | 322 | (127) | 9 | (119) | 4,936 |
| Greece | 3 | 0 | 0 | 0 | 0 | 0 | 35 |
| Hungary | 81 | 0 | 42 | (7) | 0 | (7) | 479 |
| Ireland | 361 | 0 | 88 | (16) | (2) | (17) | 554 |
| Italy | 4,972 | 0 | 1,150 | (179) | (169) | (348) | 18,656 |
| Luxembourg | 1,187 | 0 | 548 | (117) | (8) | (125) | 3,469 |
| Netherlands | 394 | 0 | 192 | (41) | 6 | (35) | 920 |
| Portugal | 166 | 0 | 89 | (26) | (3) | (29) | 3,845 |
| Poland | 704 | 0 | 146 | (53) | 2 | (51) | 8,056 |
| Romania | 59 | 0 | 18 | (2) | (1) | (4) | 873 |
| Slovakia | 26 | 0 | 7 | (3) | 1 | (2) | 281 |
| Spain | 900 | 0 | 490 | (132) | (11) | (144) | 3,003 |
| Sweden | 26 | 0 | (6) | (3) | 0 | (3) | 198 |
| United Kingdom | 2,686 | 0 | 671 | (125) | 8 | (117) | 7,853 |
| **Other European countries** | | | | | | | |
| Guernsey | 8 | 0 | 2 | 0 | 0 | 0 | 17 |
| Jersey | 45 | 0 | 15 | (1) | 0 | (1) | 221 |
| Monaco | 70 | 0 | 32 | 0 | (1) | (1) | 200 |
| Norway | 31 | 0 | (5) | (1) | (1) | (2) | 103 |
| Russia | 65 | 0 | 32 | (6) | 0 | (6) | 353 |
| Serbia | 33 | 0 | 20 | (2) | 0 | (3) | 595 |
| Switzerland | 444 | 0 | 68 | (8) | 2 | (6) | 1,363 |
| Ukraine | 148 | 0 | 59 | 0 | (10) | (10) | 5,137 |
| **Africa & Mediterranean basin** | | | | | | | |
| Algeria | 109 | 0 | 41 | (11) | (1) | (12) | 1,426 |
| Bahrain | 56 | 0 | (3) | 0 | 0 | 0 | 278 |
| Burkina Faso | 23 | 0 | 1 | (1) | 0 | (1) | 263 |
| Guinea | 36 | 0 | 8 | (2) | 0 | (2) | 327 |
| Ivory Coast | 72 | 0 | 1 | (2) | 4 | 1 | 630 |
| Kuwait | 8 | 0 | 2 | 0 | 0 | 0 | 23 |
| Mali | 12 | 0 | (2) | 0 | 0 | 0 | 83 |
| Morocco | 267 | 0 | 79 | (18) | (7) | (25) | 3,102 |
| Qatar | 18 | 0 | 10 | (1) | 0 | (1) | 25 |
| Saudi Arabia | 11 | 0 | 15 | (3) | 0 | (3) | 41 |
| Senegal | 54 | 0 | 12 | (6) | 3 | (3) | 461 |
| South Africa | 146 | 0 | 45 | (9) | (4) | (13) | 1,231 |
| Tunisia | 73 | 0 | 33 | (6) | (3) | (10) | 1,197 |
| Turkey | 1,090 | 0 | 123 | (84) | 27 | (56) | 10,364 |
| United Arab Emirates | 38 | 0 | 19 | (4) | 1 | (3) | 82 |

| | FY 2017(*) (in EUR million) | | | | | | Financial headcount(**) as at 31 December 2017 |
|---|---|---|---|---|---|---|---|
| | Revenues | Public subsidies received | Income before Tax | Current tax expense | Defered tax | Corporate income tax | |
| **Americas** | | | | | | | |
| Argentina | 101 | 0 | 36 | (21) | 0 | (21) | 314 |
| Brazil | 765 | 0 | 265 | (58) | (40) | (97) | 1,331 |
| Canada | 66 | 0 | 19 | (9) | 4 | (5) | 567 |
| Cayman Islands(1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chile | 61 | 0 | 30 | (14) | 6 | (8) | 413 |
| Colombia | 54 | 0 | 22 | (17) | (1) | (18) | 340 |
| Mexico | 54 | 0 | 20 | 0 | 6 | 6 | 236 |
| Panama(2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| United States of America | 4,502 | 0 | 1,065 | (62) | (360) | (422) | 15,470 |
| **Asia & Pacific** | | | | | | | |
| Australia | 242 | 0 | 118 | (24) | (14) | (38) | 493 |
| China | 135 | 0 | 67 | (3) | (17) | (19) | 422 |
| Hong Kong | 836 | 0 | 163 | (5) | 1 | (4) | 2,452 |
| India | 259 | 0 | 162 | (81) | 10 | (71) | 8,430 |
| Indonesia | 54 | 0 | 29 | (12) | 1 | (11) | 149 |
| Japan | 492 | 0 | 244 | (56) | (21) | (77) | 726 |
| Malaysia | 28 | 0 | 14 | (3) | 0 | (3) | 91 |
| Philippines | 1 | 0 | 0 | 0 | 0 | 0 | 14 |
| Republic of Korea | 114 | 0 | 47 | (4) | (8) | (11) | 320 |
| Singapore | 420 | 0 | 57 | (7) | (2) | (9) | 2,047 |
| Taiwan | 155 | 0 | 78 | (5) | (8) | (13) | 452 |
| Thailand | 19 | 0 | 5 | (2) | 0 | (2) | 73 |
| Viet Nam | 20 | 0 | 11 | (1) | (1) | (2) | 76 |
| **GROUP TOTAL** | **43,161** | **0** | **10,597** | **(1,989)** | **(1,114)** | **(3,103)** | **189,509** |

*(*) The financial data correspond to the contribution income of fully consolidated entities under exclusive control.*

*(**) Financial headcount: Full-Time Equivalents (FTE) at 31 December 2017 in wholly controlled, fully consolidated entities.*

*(1) The income of entities in the Cayman Islands is taxed in the United States and their staff are also located in the United States.*

*(2) The liquidation process of the entity located in Panama, initiated in July 2010, is pending approval from the local regulator.*

# 8.7 Founding documents and Articles of association

BNP Paribas' Articles of association are available on the Group's website, www.invest.bnpparibas.com, and can be obtained from the address given in section 8.1.

Below are the full Articles of association as of 17 January 2018.

## SECTION I

## FORM – NAME – REGISTERED OFFICE – CORPORATE PURPOSE

### Article 1

BNP PARIBAS is a French Public Limited Company *(société anonyme)* licensed to conduct banking operations under the French Monetary and Financial Code, Book V, Section 1 *(Code Monétaire et Financier, Livre V, Titre 1*er*)* governing banking sector institutions.

The Company was founded pursuant to a decree dated 26 May 1966. Its legal life has been extended to 99 years with effect from 17 September 1993.

Apart from the specific rules relating to its status as an establishment in the banking sector (Book V, Section 1 of the French Monetary and Financial Code – *Code Monétaire et Financier, Livre V, Titre 1*er), BNP PARIBAS shall be governed by the provisions of the French Commercial Code *(Code de Commerce)* concerning commercial companies, as well as by these Articles of Association.

### Article 2

The registered office of BNP PARIBAS shall be located in Paris *(9th arrondissement)*, at 16, Boulevard des Italiens (France).

### Article 3

The purpose of BNP PARIBAS shall be to provide and carry out the following services with any individual or legal entity, in France and abroad, subject to compliance with the French laws and regulations applicable to credit institutions licensed by the Credit Institutions and Investment Firms Committee *(Comité des Établissements de Crédit et des Entreprises d'Investissement)*:

- any and all investment services;
- any and all services related to investment services;
- any and all banking transactions;
- any and all services related to banking transactions;
- any and all equity investments;

as defined in the French Monetary and Financial Code Book III – Section 1 *(Code Monétaire et Financier, Livre III, Titre 1*er*)* governing banking transactions and Section II *(Titre II)* governing investment services and related services.

On a regular basis, BNP PARIBAS may also conduct any and all other activities and any and all transactions in addition to those listed above, in particular any and all arbitrage, brokerage and commission transactions, subject to compliance with the regulations applicable to banks.

In general, BNP PARIBAS may, on its own behalf, and on behalf of third parties or jointly therewith, perform any and all financial, commercial, industrial or agricultural, personal property or real estate transactions directly or indirectly related to the activities set out above or which further the accomplishment thereof.

## SECTION II

## SHARE CAPITAL – SHARES

### Article 4

The share capital of BNP PARIBAS shall stand at 2,497,718,772 euros divided into 1,248,859,386 fully paid-up shares with a nominal value of 2 euros each.

### Article 5

The fully paid-up shares shall be held in registered or bearer form at the shareholder's discretion, subject to the French laws and regulations in force.

The shares shall be registered in an account in accordance with the terms and conditions set out in the applicable French laws and regulations in force. They shall be assigned by transfer from one account to another.

The Company may request disclosure of information concerning the ownership of its shares in accordance with the provisions of Article L. 228-2 of the French Commercial Code *(Code de Commerce)*.

Without prejudice to the legal thresholds set in Article L. 233-7, paragraph 1 of the French Commercial Code *(Code de Commerce)*, any shareholder, whether acting alone or in concert, who comes to directly or indirectly hold at least 0.5% of the share capital or voting rights of BNP PARIBAS, or any multiple of that percentage less than 5%, shall be required to notify BNP PARIBAS by registered letter with return receipt within the timeframe set out in Article L. 233-7 of the French Commercial Code *(Code de Commerce)*.

Above 5%, the disclosure obligation provided for in the previous paragraph shall apply to 1% increments of the share capital or voting rights.

The disclosures described in the previous two paragraphs shall also apply when the shareholding falls below the above-mentioned thresholds.

Failure to report either legal or statutory thresholds shall result in the loss of voting rights as provided for by Article L. 233-14 of the French Commercial Code *(Code de Commerce)* at the request of one or more shareholders jointly holding at least 2% of the Company's share capital or voting rights.

### Article 6

Each share shall grant a right to a part of ownership of the Company's assets and any liquidation surplus that is equal to the proportion of share capital that it represents.

In cases where it is necessary to hold several shares in order to exercise certain rights, and in particular where shares are exchanged, combined or allocated, or following an increase or reduction in share capital, regardless of the terms and conditions thereof, or subsequent to a merger or any other transaction, it shall be the responsibility of those shareholders owning less than the number of shares required to exercise those rights to combine their shares or, if necessary, to purchase or sell the number of shares or voting rights leading to ownership of the required percentage of shares.

## SECTION III

## GOVERNANCE

### Article 7

The Company shall be governed by a Board of Directors composed of:

**1/ Directors appointed by the Ordinary General Shareholders' Meeting**

There shall be at least nine and no more than eighteen Directors. Directors elected by the employees shall not be included when calculating the minimum and maximum number of Directors.

They shall be appointed for a three-year term.

When a Director is appointed to replace another Director, in accordance with applicable French laws and regulations in force, the new Director's term of office shall be limited to the remainder of the predecessor's term.

A Director's term of office shall end at the close of the Ordinary General Shareholders' Meeting convened to deliberate on the financial statements for the previous financial year and held in the year during which the Director's term of office expires.

Directors may be re-appointed, subject to the provisions of French law, in particular with regard to their age.

Each Director, including Directors elected by employees, must own at least 10 Company shares.

**2/ Directors elected by BNP PARIBAS SA employees**

The status of these Directors and the related election procedures shall be governed by Articles L. 225-27 to L. 225-34 of the French Commercial Code *(Code de Commerce)* as well as by the provisions of these Articles of Association.

There shall be two such Directors – one representing executive staff and the other representing non-executive staff.

They shall be elected by BNP PARIBAS SA employees.

They shall be elected for a three-year term.

Elections shall be organised by the Executive Management. The timetable and terms and conditions for elections shall be drawn up by the Executive Management in consultation with the national trade union representatives within the Company such that the second round of elections shall be held no later than fifteen days before the end of the term of office of the outgoing Directors.

Each candidate shall be elected on a majority basis after two rounds held in each of the electoral colleges.

Each application submitted during the first round of elections shall include both the candidate's name and the name of a substitute, if any.

Applications may not be amended during the second round of elections.

The candidates shall belong to the electoral college where they stand for election.

Applications other than those presented by a trade union representative within the Company must be submitted together with a document including the names and signatures of one hundred electors belonging to the electoral college where the candidate is presenting for election.

### Article 8

The Chairman of the Board of Directors shall be appointed from among the members of the Board of Directors.

Upon proposal from the Chairman, the Board of Directors may appoint one or more Vice-Chairmen.

### Article 9

The Board of Directors shall meet as often as necessary in the best interests of the Company. Board meetings shall be convened by the Chairman. Where requested by at least one-third of the Directors, the Chairman may convene a Board meeting with respect to a specific agenda, even if the last Board meeting was held less than two months before. The Chief Executive Officer (CEO) may also request that the Chairman convene a Board meeting to discuss a specific agenda.

Board meetings shall be held either at the Company's registered office, or at any other location specified in the notice of meeting.

Notices of meetings may be communicated by any means, including verbally.

The Board of Directors may meet and make valid decisions at any time, even if no notice of meeting has been communicated, provided all its members are present or represented.

### Article 10

Board meetings shall be chaired by the Chairman, by a Director recommended by the Chairman for such purpose or, failing this, by the oldest Director present.

Any Director may attend a Board meeting and take part in its deliberations by videoconference (visioconférence) or all telecommunications and remote transmission means, including Internet, subject to compliance with the conditions set out in applicable legislation at the time of its use.

Any Director who is unable to attend a Board meeting may ask to be represented by a fellow Director, by granting a written proxy, valid for only one specific meeting of the Board. Each Director may represent only one other Director.

At least half of the Board members must be present for decisions taken at Board meetings to be valid.

Should one or both of the offices of Director elected by employees remain vacant, for whatever reason, without the possibility of a replacement as provided for in Article L. 225-34 of the French Commercial Code *(Code de Commerce)*, the Board of Directors shall be validly composed of the members elected by the General Shareholders' Meeting and may validly meet and vote.

Members of the Company's Executive Management may, at the request of the Chairman, attend Board meetings in an advisory capacity.

A permanent member of the Company's Central Works Committee, appointed by said Committee, shall attend Board meetings in an advisory capacity, subject to compliance with the provisions of French laws in force.

Decisions shall be made by a majority of Directors present or represented. In the event of a split decision, the Chairman of the meeting shall have the casting vote, except as regards the proposed appointment of the Chairman of the Board of Directors.

The Board of Directors' deliberations shall be recorded in minutes entered in a special register prepared in accordance with French laws in force and signed by the Chairman of the meeting and one of the Directors who attended the meeting.

The Chairman of the meeting shall appoint the Secretary to the Board, who may be chosen from outside the Board's members.

Copies or excerpts of Board minutes may be signed by the Chairman, the Chief Executive Officer, the Chief Operating Officers (COOs) or any representative specifically authorised for such purpose.

### Article 11

The Ordinary General Shareholders' Meeting may grant Directors' attendance fees under the conditions provided for by French law.

The Board of Directors shall split these fees among its members as it deems appropriate.

The Board of Directors may grant exceptional compensation for specific assignments or duties performed by the Directors under the conditions applicable to agreements subject to approval, in accordance with the provisions of Articles L. 225-38 to L. 225-43 of the French Commercial Code *(Code de Commerce)*. The Board may also authorise the reimbursement of travel and business expenses and any other expenses incurred by the Directors in the interests of the Company.

## SECTION IV

## DUTIES OF THE BOARD OF DIRECTORS, THE CHAIRMAN, THE EXECUTIVE MANAGEMENT AND THE NON-VOTING DIRECTORS *(CENSEURS)*

### Article 12

The Board of Directors shall determine the business strategy of BNP PARIBAS and supervise the implementation thereof. Subject to the powers expressly conferred on the Shareholders' Meetings and within the limit of the corporate purpose, the Board shall handle any issue concerning the smooth running of BNP PARIBAS and settle matters concerning the Company pursuant to its deliberations. The Board of Directors shall receive from the Chairman or the Chief Executive Officer all of the documents and information required to fulfil its duties.

The Board of Directors' decisions shall be carried out either by the Chairman, the Chief Executive Officer or the Chief Operating Officers, or by any special representative appointed by the Board.

Upon proposal from the Chairman, the Board of Directors may decide to set up committees responsible for performing specific tasks.

### Article 13

The Chairman shall organise and manage the work of the Board of Directors and report thereon to the General Shareholders' Meeting. The Chairman shall also oversee the smooth running of BNP PARIBAS's management bodies and ensure, in particular, that the Directors are in a position to fulfil their duties.

The remuneration of the Chairman of the Board shall be freely determined by the Board of Directors.

### Article 14

The Board of Directors shall decide how to organise the Executive Management of the Company: the Executive Management of the Company shall be conducted, under his responsibility, either by the Chairman of the Board of Directors or by another individual appointed by the Board of Directors and who shall have the title of Chief Executive Officer.

Shareholders and third parties shall be informed of this choice in accordance with the regulatory provisions in force.

The Board of Directors shall have the right to decide that this choice be for a fixed term.

In the event that the Board of Directors decides that the Executive Management shall be conducted by the Chairman of the Board, the provisions of these Articles of Association concerning the Chief Executive Officer shall apply to the Chairman of the Board of Directors who will in such case have the title of Chairman and Chief Executive Officer. He shall be deemed to have automatically resigned at the close of the General Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-five years of age.

In the event that the Board of Directors decides to dissociate the functions of Chairman and Chief Executive Officer, the Chairman shall be deemed to have automatically resigned at the close of the General Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-eight years of age. However, the Board may decide to extend the term of office of the Chairman of the Board until the close of the General Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-nine years of age. The Chief Executive Officer shall be deemed to have automatically resigned at the close of the General Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-three years of age. However, the Board may decide to extend the term of office of the Chief Executive Officer until the close of the General Shareholders' Meeting held to approve the financial statements for the year in which he reaches sixty-four years of age.

### Article 15

The Chief Executive Officer shall be vested with the broadest powers to act in all circumstances in the name of BNP PARIBAS. He shall exercise these powers within the limit of the corporate purpose and subject to those powers expressly granted by French law to Shareholders' Meetings and the Board of Directors.

He shall represent BNP PARIBAS in its dealings with third parties. BNP PARIBAS shall be bound by the actions of the Chief Executive Officer even if such actions are outside the scope of the corporate purpose, unless BNP PARIBAS can prove that the third party knew that the relevant action was outside the scope of the corporate purpose or had constructive knowledge thereof in view of the circumstances. The publication of the Company's Articles of Association alone shall not constitute such proof.

The Chief Executive Officer shall be responsible for the organisation and procedures of internal control and for all information required by French law regarding the internal control report.

The Board of Directors may limit the powers of the Chief Executive Officer, but such limits shall not be binding as against third parties.

The Chief Executive Officer may delegate partial powers, on a temporary or permanent basis, to as many persons as he sees fit, with or without the option of redelegation.

The remuneration of the Chief Executive Officer shall be freely determined by the Board of Directors.

The Chief Executive Officer may be removed from office by the Board of Directors at any time. Damages may be payable to the Chief Executive Officer if he is removed from office without a valid reason, except where the Chief Executive Officer is also the Chairman of the Board of Directors.

In the event that the Chief Executive Officer is a Director, the term of his office as Chief Executive Officer shall not exceed that of his term of office as a Director.

### Article 16

Upon proposal from the Chief Executive Officer, the Board of Directors may, within the limits of French law, appoint one or more individuals, who shall have the title of Chief Operating Officer, responsible for assisting the Chief Executive Officer.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and term of the powers granted to the Chief Operating Officers. However, as far as third parties are concerned, the Chief Operating Officers shall have the same powers as the Chief Executive Officer.

When the Chief Executive Officer ceases to perform his duties or is prevented from doing so, the Chief Operating Officers shall, unless the Board of Directors decides otherwise, retain their functions and responsibilities until a new Chief Executive Officer is appointed.

The remuneration of the Chief Operating Officers shall be freely determined by the Board of Directors, at the proposal of the Chief Executive Officer.

The Chief Operating Officers may be removed from office by the Board of Directors at any time, at the proposal of the Chief Executive Officer. Damages may be payable to the Chief Operating Officers if they are removed from office without a valid reason.

Where a Chief Operating Officer is a Director, the term of his office as Chief Operating Officer may not exceed that of his term of office as a Director.

The term of office of the Chief Operating Officers shall expire at the latest at the close of the General Shareholders' Meeting convened to approve the financial statements for the year in which the Chief Operating Officers reach sixty-five years of age.

### Article 17

Upon proposal from the Chairman, the Board of Directors may appoint one or two non-voting Directors (censeurs).

Non-voting Directors shall be convened to and take part in Board meetings in an advisory capacity.

They shall be appointed for six years and may be reappointed for further terms. They may also be removed at any time under similar conditions.

They shall be selected from among the Company's shareholders and may receive a remuneration determined by the Board of Directors.

## SECTION V

## SHAREHOLDERS' MEETINGS

### Article 18

General Shareholders' Meetings shall be composed of all shareholders.

General Shareholders' Meetings shall be convened and deliberate subject to compliance with the provisions of the French Commercial Code *(Code de Commerce)*.

As an exception to the last paragraph of article L. 225-123 of the French Commercial Code *(Code de Commerce)*, each share carries one voting right, and no double voting rights are conferred.

They shall be held either at the registered office or at any other location specified in the notice of meeting.

They shall be chaired by the Chairman of the Board of Directors, or, in his absence, by a Director appointed for this purpose by the Shareholders' Meeting.

Any shareholder may, subject to providing proof of identity, attend a General Shareholders' Meeting, either in person, or by returning a postal vote or by designating a proxy.

Taking part in the meeting is subject to the shares having been entered either in the BNP PARIBAS' registered share accounts in the name of the shareholder, or in the bearer share accounts held by the authorised intermediary, within the timeframes and under the conditions provided for by the French regulations in force. In the case of bearer shares, the authorised intermediary shall provide a certificate of participation for the shareholders concerned.

The deadline for returning postal votes shall be determined by the Board of Directors and stated in the notice of meeting published in the French Bulletin of Compulsory Legal Announcements *(Bulletin des Annonces Légales Obligatoires – BALO)*.

At all General Shareholders' Meetings, the voting right attached to the shares bearing beneficial rights shall be exercised by the beneficial owner.

If the Board of Directors so decides at the time that the General Shareholders' Meeting is convened, the public broadcasting of the entire General Shareholders' Meeting by videoconference (visioconference) or all telecommunications and remote transmission means, including Internet, shall be authorised. Where applicable, this decision shall be communicated in the notice of meeting published in the French Bulletin of Compulsory Legal Announcements *(Bulletin des Annonces Légales Obligatoires – BALO)*.

Any shareholder may also, if the Board of Directors so decides at the time of convening the General Shareholders' Meeting, take part in the vote by videoconference (visioconference) or all telecommunications and remote transmission means, including Internet, subject to compliance with the conditions set out in the applicable laws at the time of its use. If an electronic voting form is used, the shareholder's signature may be in the form of a secured digital signature or a reliable identification process safeguarding the link with the document to which it is attached and may consist, in particular, of a user identifier and a password. Where applicable, this decision shall be communicated in the notice of meeting published in the French Bulletin of Compulsory Legal Announcements *(Bulletin des Annonces Légales Obligatoires – BALO)*.

## SECTION VI

## STATUTORY AUDITORS

### Article 19

At least two principal statutory auditors and at least two substitute statutory auditors shall be appointed by the General Shareholders' Meeting for a term of six financial years. Their term of office shall expire after approval of the financial statements for the sixth financial year.

## SECTION VII

## ANNUAL FINANCIAL STATEMENTS

### Article 20

The Company's financial year shall start on 1st January and end on 31st December.

At the end of each financial year, the Board of Directors shall draw up annual financial statements and write a management report on the Company's financial position and its business activities during the previous year.

### Article 21

Net income for the year is composed of income for the year minus costs, depreciation, amortizations and impairment.

The distributable profit is made up of the year's profit, minus previous losses as well as the sums to be allocated to the reserves in accordance with French law, plus the profit carried forward.

The General Shareholders' Meeting is entitled to levy all sums from the distributable profit to allocate them to all optional, ordinary or extraordinary reserves or to carry them forward.

The General Shareholders' Meeting may also decide to distribute sums levied from the reserves at its disposal.

However, except in the event of a capital reduction, no amounts may be distributed to the shareholders if the shareholders' equity is, or would become following such distribution, lower than the amount of capital plus the reserves which is not open to distribution pursuant to French law or these Articles of Association.

In accordance with the provisions of Article L. 232-18 of the French Commercial Code *(Code de Commerce)*, a General Shareholders' Meeting may offer to the shareholders an option for the payment, in whole or in part, of dividends or interim dividends through the issuance of new shares in the Company.

## SECTION VIII

## DISSOLUTION

### Article 22

Should BNP PARIBAS be dissolved, the shareholders shall determine the form of liquidation, appoint the liquidators at the proposal of the Board of Directors and, in general, take on all of the duties of the General Shareholders' Meeting of a French Public Limited Company *(société anonyme)* during the liquidation and until such time as it has been completed.

## SECTION IX

## DISPUTES

### Article 23

Any and all disputes that may arise during the life of BNP PARIBAS or during its liquidation, either between the shareholders themselves or between the shareholders and BNP PARIBAS, pursuant to these Articles of Association, shall be ruled on in accordance with French law and submitted to the courts having jurisdiction.

# 8.8 Statutory Auditors' special report on related party agreements and commitments

Annual General Meeting for the approval of the financial statements for the year ended 31 December 2017.

| Deloitte & Associés | PricewaterhouseCoopers Audit | Mazars |
|---|---|---|
| 185, avenue Charles-de-Gaulle<br>92524 Neuilly-sur-Seine Cedex | 63, rue de Villiers<br>92208 Neuilly-sur-Seine Cedex | 61, rue Henri-Regnault<br>92400 Courbevoie |

*This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

**BNP Paribas SA**
16, boulevard des Italiens
75009 Paris

To the Shareholders,

In our capacity as Statutory Auditors of BNP Paribas SA, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, as well as the reasons provided for, the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R.225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

## AGREEMENTS AND COMMITMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

We were not informed of any agreement or commitment authorised during the year to be submitted for approval at the Annual General Meeting in accordance with Article L.225-38 of the French Commercial Code.

### Agreements and commitments previously approved by the annual general meeting

#### Agreements and commitments approved in previous years but not implemented during the year

We have been informed that the following agreement, previously approved by the Annual General Meeting on 26 May 2016, remained in force but was not implemented during the year.

***Non-compete agreement between BNP Paribas and Jean-Laurent Bonnafé (authorised by the Board of Directors on 25 February 2016)***

*Director concerned:*

Jean-Laurent Bonnafé, Director

Chief Executive Officer of BNP Paribas

At its meeting on 25 February 2016, the Board of Directors of BNP Paribas authorised the implementation of a non-compete agreement between BNP Paribas and JeanLaurent Bonnafé.

Under this agreement, in the event that Jean-Laurent Bonnafé ceases to hold a position with BNP Paribas or carry out any work on its behalf, he undertakes not to exercise, directly or indirectly, any professional activity for a period of 12 months on behalf of a banking, investment or insurance firm whose shares are traded on a regulated market in France or abroad, or on behalf of a banking, investment or insurance firm in France whose shares are not traded on a regulated market. As consideration for this noncompete obligation, Jean-Laurent Bonnafé will receive a payment equal to 1.2 times the total of the fixed and variable remuneration (excluding multi-annual variable remuneration) he received during the year preceding his departure. One-twelfth of the indemnity would be paid each month.

This agreement has been implemented in order to protect the interests of BNP Paribas and its shareholders in the event of Jean-Laurent Bonnafé’s departure.

Neuilly-sur-Seine and Courbevoie, 6 March 2018

The Statutory Auditors

| Deloitte & Associés | PricewaterhouseCoopers Audit | Mazars |
|---|---|---|
| Damien Leurent | Étienne Boris | Hervé Hélias |

# 9 STATUTORY AUDITORS

# 9.1 Statutory Auditors

| Deloitte & Associés | PricewaterhouseCoopers Audit | Mazars |
|---|---|---|
| 185, avenue Charles-de-Gaulle | 63, rue de Villiers | 61, rue Henri-Régnault |
| 92524 Neuilly-sur-Seine Cedex | 92208 Neuilly-sur-Seine Cedex | 92400 Courbevoie |

- Deloitte & Associés was re-appointed as Statutory Auditor at the Annual General Meeting of 23 May 2012 for a six-year period expiring at the close of the Annual General Meeting called in 2018 to approve the financial statements for the year ending 31 December 2017. The firm was first appointed at the Annual General Meeting of 23 May 2006.

Deloitte & Associés is represented by Damien Leurent.

Deputy:

Société BEAS, 195, avenue Charles-de-Gaulle, Neuilly-sur-Seine (92), France, SIREN No. 315 172 445, Nanterre Trade and Companies Register.

- PricewaterhouseCoopers audit was re-appointed as Statutory Auditor at the Annual General Meeting of 23 May 2012 for a six-year period expiring at the close of the Annual General Meeting called in 2018 to approve the financial statements for the year ending 31 December 2017. The firm was first appointed at the Annual General Meeting of 26 May 1994.

PricewaterhouseCoopers audit is represented by Étienne Boris.

Deputy:

Anik Chaumartin, 63, rue de Villiers, Neuilly-sur-Seine (92), France.

- Mazars was re-appointed as Statutory Auditor at the Annual General Meeting of 23 May 2012 for a six-year period expiring at the close of the Annual General Meeting called in 2018 to approve the financial statements for the year ending 31 December 2017. The firm was first appointed at the Annual General Meeting of 23 May 2000.

Mazars is represented by Hervé Hélias.

Deputy:

Michel Barbet-Massin, 61, rue Henri-Régnault, Courbevoie (92), France.

Deloitte & Associés, PricewaterhouseCoopers, and Mazars are registered as Statutory Auditors with the Versailles Regional Association of Statutory Auditors, under the authority of the French National Accounting Oversight Board (*Haut Conseil du Commissariat aux Comptes*).

# 10 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

# 10.1 Person responsible for the Registration document and the annual financial report

Jean-Laurent Bonnafé, Chief Executive Officer of BNP Paribas.

# 10.2 Statement by the person responsible for the Registration document

I hereby declare that to the best of my knowledge, and having taken all reasonable precautions, the information contained in the Registration document is in accordance with the facts and contains no omission likely to affect its import.

I further declare that to the best of my knowledge, the financial statements are prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and all the entities included in the consolidation, and that the information provided in the management report (whose contents are listed in the Table of Concordance on page 571) includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and all the entities included in the consolidation, and that it describes the principal risks and uncertainties that they face.

I obtained a statement from the Statutory Auditors, Deloitte & Associés, PricewaterhouseCoopers Audit, and Mazars, at the end of their assignment, in which they confirm having verified the information regarding the financial position and the accounts contained herewithin, and having examined the entire Registration document.

Paris, 6 March 2018

Chief Executive Officer

Jean-Laurent BONNAFÉ

# 11 TABLES OF CONCORDANCE

In order to assist readers of the Registration document, the following table of concordance cross-references the main headings required by Annex 1 of European Commission Regulation (EC) No. 809/2004 pursuant to the "Prospectus" directive.

| Headings as listed by Annex1 of European Commission Regulation (EC) No.809/2004 | | Page |
|---|---|---|
| **10.** | **Capital resources** | |
| 10.1. | Issuer's capital resources | 144-145; 465 |
| 10.2. | Sources and amounts of cash flows | 143 |
| 10.3. | Borrowing requirements and funding structure | 134; 384-395 |
| 10.4. | Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the issuer's operations | N/A |
| 10.5. | Anticipated sources of funds | N/A |
| **11.** | **Research and development, patents, and licences** | **N/A** |
| **12.** | **Trend information** | **133-134** |
| **13.** | **Profit forecasts or estimates** | **N/A** |
| **14.** | **Administrative, management, and supervisory bodies, and senior management** | |
| 14.1. | Administrative and management bodies | 31-44; 94 |
| 14.2. | Administrative and management bodies' conflicts of interest | 71-90; 48-49; 61-62 |
| **15.** | **Remuneration and benefits** | |
| 15.1. | Amount of remuneration paid and benefits in kind granted | 71-90; 205-213 |
| 15.2. | Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement, or similar benefits | 71- 90; 205-213 |
| **16.** | **Board practices** | |
| 16.1. | Date of expiry of the current terms of office | 31-43 |
| 16.2. | Information about members of the administrative bodies' service contracts with the issuer | N/A |
| 16.3. | Information about the Audit Committee and Remuneration Committee | 50-57 |
| 16.4. | Corporate governance regime in force in the issuer's country of incorporation | 45 |
| **17.** | **Employees** | |
| 17.1. | Number of employees | 4; 508-509 |
| 17.2. | Shareholdings and stock options | 71-90; 161; 516-517 |
| 17.3. | Description of any arrangements for involving the employees in the capital of the issuer | N/A |
| **18.** | **Major shareholders** | |
| 18.1. | Shareholders owning more than 5% of the issuer's capital or voting rights | 16-17 |
| 18.2. | Existence of different voting rights | 16 |
| 18.3. | Control of the issuer | 16-17 |
| 18.4. | Description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change of Control of the issuer | 17 |
| **19.** | **Related party transactions** | **71-90; 224-225; 564-565** |
| **20.** | **Financial information concerning the issuer's assets and liabilities, financial position, and profits and losses** | |
| 20.1. | Historical financial information | 4; 20; 109-136; 440-476 |
| 20.2. | Pro forma financial information | 247; 248; 272; 279; 282; 290;299; 305; 309; 313; 328; 330; 332; 334; 336; 338; 339; 358; 359; 361; 363; 367 |
| 20.3. | Financial statements | 137-236; 439-476 |
| 20.4. | Auditing of historical annual financial information | 237-242; 477-482 |
| 20.5. | Age of latest financial information | 140; 439 |
| 20.6. | Interim and other financial information | N/A |
| 20.7. | Dividend policy | 20; 23-24; 111; 468 |
| 20.8. | Legal and arbitration proceedings | 217-218 |
| 20.9. | Significant change in the issuer's financial or trading position | 551 |

| Headings as listed by Annex 1 of European Commission Regulation (EC) No.809/2004 | | Page |
|---|---|---|
| **21.** | **Additional information** | |
| 21.1. | Share capital | 16; 214-215; 459-461; 559 |
| 21.2. | Memorandum and Articles of association | 559-563 |
| **22.** | **Material contracts** | **550** |
| **23.** | **Third party information and statement by experts and declarations of interest** | **N/A** |
| **24.** | **Documents on display** | **550** |
| **25.** | **Information on holdings** | **192-193; 227-235; 470-475; 552-557** |

Pursuant to article 28 of European Commission Regulation (EC) no. 809-2004 on prospectuses, the following items are incorporated by reference:

- the consolidated financial statements for the year ended 31 December 2016 and the Statutory Auditors' report on the consolidated financial statements at 31 December 2016, presented respectively on pages 131-231 and 232-233 of Registration Document no. D.17-0132 filed with the AMF on 7 March 2017;
- the consolidated financial statements for the year ended 31 December 2015 and the Statutory Auditors' report on the consolidated financial statements for the same period, presented respectively on pages 129-230 and 231-232 of Registration document no. D.16-0126 filed with the AMF on 9 March 2016;
- the chapters of Registration documents nos. D.17-0132 and D.16-0126 not referred to above are either not significant for investors or are covered in another section of this Registration document.

In order to assist readers of the annual financial report, the following table cross-references the information required by article L.451-1-2 of the French Monetary and Financial Code.

| Annual financial report | Page |
|---|---|
| **Statement by the person responsible for the Registration document** | **570** |

**Management report**

The table of concordance below allows information in this Registration Document to be cross-referenced with the Company's Management report (including the Corporate governance report) and the consolidated Management report, as required by the legal and regulatory provisions.

**I. Company and Group Business and Situation**

| Information (Reference texts) | |
|---|---|
| Company and Group position over the past year (L.232-1 II and L.233-26 of the French Commercial Code) | 110-134; 140-235; 440-476 |
| Objective and comprehensive analysis of business performance, results and the financial position of the Company and Group (L.225-100-1 of the French Commercial Code) | 110-134; 140-235; 440-476 |
| Key financial and non-financial performance indicators for the Company and Group (L.225-100-1 of the French Commercial Code) | 110-136; 486; 491 |
| Foreseeable developments of the Company and Group (L.232-1 II and L.233-26 of the French Commercial Code) | 133-134 |
| Key events occurring since the financial year-end (L.232-1 II and L.233-26 of the French Commercial Code) | 551 |
| Company and Group research and development activities (L.232-1 II and L.233-26 of the French Commercial Code) | N/A |
| Equity investments in or takeovers of companies that have their head office in France (L. 233-6 and L.247-1 of the French Commercial Code) | 476 |
| Business and results for the Company as a whole, Company subsidiaries and companies it controls by branch of activity (L.233-6 of the French Commercial Code) | 6-15; 110-131 |
| Existing Company branches (L.232-1 II of the French Commercial Code) | 552-557 |
| Information on Company locations and businesses (L.511-45 and R.511-16-4 of the French Monetary and Financial Code) | 227-235; 552-558 |

### II. Risk factors and characteristics of internal control procedures

| Information (Reference texts) | |
|---|---|
| ■ Description of the main risks and contingencies faced by the Company and Group (L.225-100-1 of the French Commercial Code) | 249-252 |
| ■ Information on the financial risks related to the effects of climate change and measures taken by the Company and Group to reduce these (L.225-100-1 of the French Commercial Code) | 101-102 |
| ■ Objectives and policy for hedging each main transaction category by the Company and Group (L.225-100-1 of the French Commercial Code) | 380-383 |
| ■ Exposure to price, credit, liquidity and cash flow risks of the Company and Group (L.225-100-1 of the French Commercial Code) | 299-395 |
| ■ Main features of internal control and risk management procedures set up by the Company and Group relating to the preparation and processing of accounting and financial information (L.225-100-1 of the French Commercial Code) | 103-107 |

### III. Information on share capital

| Information (Reference texts) | |
|---|---|
| ■ Name of individuals or legal entities holding directly or indirectly more than 5% of capital or voting rights and changes arising during the year (L.233-13 of the French Commercial Code) | 16-17 |
| ■ Name of companies controlled and share of the Company's share capital held by them (L.233-13 of the French Commercial Code) | 227-235 |
| ■ Employee share ownership status (L.225-102 of the French Commercial Code) | 16-17 |
| ■ Securities acquired by employees under a corporate takeover transaction (L.225-102 of the French Commercial Code) | N/A |
| ■ Share disposals made to regularise cross shareholdings (L.233-29, R.233-19 of the French Commercial Code) | N/A |
| ■ Information on share buyback transactions undertaken by the Company (L.225-211 of the French Commercial Code) | 91-93; 214 |
| ■ Any adjustments made to securities giving access to share capital (L.225-181, L.228-99, R225-137, R.228-91 of the French Commercial Code) | N/A |
| ■ Summary of transactions carried out by corporate officers, executives, certain company managers and persons with close connections to them (223-26 of the AMF's General Regulation, L.621-18-2 of the French Monetary and Financial Code and R.621-43-1) | 89 |

### IV. Other accounting, financial and legal information

| Information (Reference texts) | |
|---|---|
| ■ Information on terms of payment (L.441-6-1 and D. 441-4 of the French Commercial Code) | 457 |
| ■ Amount of dividends distributed for the prior three years (243 bis of the French General Tax Code) | 20 |
| ■ Injunctions or fines for anti-competitive practices (L.464-2 of the French Commercial Code) | N/A |
| ■ Information on financial instruments with an agricultural commodity as their underlying and measures taken by the Company to prevent this having a significant impact on agricultural commodity prices (L. 511-4-2 of the French Monetary and Financial Code) | 500 |
| ■ Amount and features of loans financed or distributed by the Company or that they distribute as defined in III of Article 80 of the Planning Act for Social Cohesion Law No. 2005-32 of 18 January 2005 and hence covered by public guarantees. (L.511-4-1 of the French Monetary and Financial Code) | N/A |
| ■ Return on Company assets (R. 511-16-1 of the French Monetary and Financial Code) | 290 |

## V. Social and environmental information

| Information (Reference texts) | |
|---|---|
| ■ Information on the labour and environmental impact relating to the Company, subsidiaries and controlled companies (L.225-102-1 of the French Commercial Code) | 484-547 |
| ■ Information concerning the Company, subsidiaries and controlled companies and relating to community commitments in favour of sustainable development, the circular economy, food waste prevention efforts and combating discrimination and promoting diversity (L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code) | 484-547 |
| ■ Collective agreements agreed in the Company, subsidiaries and controlled companies and their impacts on the economic performance of the Company, subsidiaries and controlled companies as well as on employee working conditions (L.225-102-1 of the French Commercial Code) | 505; 512-517 |
| ■ Information for companies operating at least one facility listed under article L.515-36 of the French Environmental Code (L.225-102-2 of the French Commercial Code) | N/A |
| ■ Vigilance plan (L.225-102-4 of the French Commercial Code) | 533-535 |

## VI. Report on corporate governance

| Information | |
|---|---|
| ■ Information on the remuneration policy for executives (L.225-37-2 of the French Commercial Code) | 71-75 |
| ■ Total remuneration and benefits of any kind during the year to each corporate officer of the Company paid by the Company, companies controlled by it or the company that controls it (L.225-37-3 of the French Commercial Code) | 75-89 |
| ■ Commitments of any kind made by the Company on behalf of its corporate officers (L.225-37-3 of the French Commercial Code) | 75; 78-79 |
| ■ Holding conditions for free shares allocated to executive corporate officers (L.225-197-1 of the French Commercial Code) | N/A |
| ■ Conditions for exercising and holding options granted to corporate officers (L.225-185 of the French Commercial Code) | 79 |
| ■ List of all directorships and functions exercised in any company by each corporate officer during the year (L.225-37-4 1° of the French Commercial Code) | 31-44 |
| ■ Agreements entered into by one of the Company's corporate officers or a shareholder holding more than 10% of the voting rights and a subsidiary of the Company (L.225-37-4-2° of the French Commercial Code) | 45 |
| ■ Summary table of capital increase delegations (L.225-37-4-3° of the French Commercial Code) | 91-93 |
| ■ Arrangements for exercising general management (L.225-37-4 4° of the French Commercial Code) | 47 |
| ■ Composition and conditions governing the preparation and organisation of the work of the Board of Directors (L.225-37-4 5° of the French Commercial Code) | 31-43; 50-57 |
| ■ Application of the principle of balanced representation of men and women on the Board of Directors (L.225-37-4 6° of the French Commercial Code) | 48 |
| ■ Any limits to the powers of the Chief Executive Officer imposed by the Board of Directors (L.225-37-4 7° of the French Commercial Code) | 47 |
| ■ Corporate governance code prepared by corporate representative organisations to which the Company refers (L.225-37-4 8° of the French Commercial Code) | 45 |
| ■ Arrangements for shareholder participation at the general shareholders' meeting (L.225-37-4 9° of the French Commercial Code) | 45 |
| ■ Items that could have an impact in case of a public offer (L.225-37-5° of the French Commercial Code) | 93 |

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**HEAD OFFICE**
16, boulevard des Italiens - 75009 Paris (France)
Tel: +33 (0)1 40 14 45 46

Paris Trade and Company Register - RCS Paris 662 042 449
*Société Anonyme* (Public Limited Company)
with capital of EUR 2,497,718,772

**SHAREHOLDERS' RELATIONS**
Tel: +33 (0)1 40 14 63 58

**www.bnpparibas.com**

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