# REGISTRATION DOCUMENT AND ANNUAL FINANCIAL REPORT 2016

BNP PARIBAS

The bank for a changing world

BNP PARIBAS

# **2016** Registration document and annual financial report

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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 7 March 2017, 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 Belgium, France, Italy and Luxembourg.

It operates in 74 countries and has more than 192,000 employees, including more than 146,000 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

| | 2012 | 2013 | 2014(****) | 2015 | 2016 |
|---|---|---|---|---|---|
| Revenues *(in millions of euros)* | 39,072 | 38,409 | 39,168 | 42,938 | 43,411 |
| Gross operating income *(in millions of euros)* | 12,529 | 12,441 | 12,644 | 13,684 | 14,033 |
| Net income Group share *(in millions of euros)* | 6,564 | 4,818 | 157 | 6,694 | 7,702 |
| Earnings per share *(in euros)*(*) | 5.17 | 3.68 | 4.70(**) | 5.14 | 6.00 |
| Return on equity(***) | 8.9% | 6.1% | 7.7%(**) | 8.3% | 9.3% |

*(*) 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. See chapter 3 section 3.8 Alternative Performance Measures.*

*(**) 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). See chapter 3 section 3.8 Alternative Performance Measures.*

*(****) Figures restated following the application of IFRIC 21 interpretation.*

## MARKET CAPITALISATION

| | 31/12/2011 | 31/12/2012 | 31/12/2013 | 31/12/2014 | 31/12/2015 | 31/12/2016 |
|---|---|---|---|---|---|---|
| Market capitalisation *(in billions of euros)* | 36.7 | 53.4 | 70.5 | 61.4 | 65.1 | 75.5 |

*Source: Bloomberg.*

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## LONG-TERM AND SHORT-TERM RATINGS

| | Long-term and short-term ratings as at 31 December 2015 | Long-term and short-term ratings as at 7 March 2017 | Outlook | Date of last review |
|---|---|---|---|---|
| Standard & Poor's | A+/A-1 | A/A-1 | Stable | 11 March 2016 |
| Fitch | A+/F1 | A+/F1 | Stable | 13 December 2016 |
| Moody's | A1/Prime-1 | A1/Prime-1 | Stable | 28 May 2015 |
| DBRS | AA (low)/R-1 (middle) | AA (low)/R-1 (middle) | Stable | 8 August 2016 |

On 28 May 2015, on completion of its review of 13 global investment banks, Moody's modified its long-term credit rating outlook for BNP Paribas from negative to stable.

Standard & Poor's, on 11 March 2016, downgraded the long-term credit rating for BNP Paribas from A+ to A with stable outlook.

On 8 August 2016, DBRS confirmed the long-term credit rating for BNP Paribas to AA (low) with stable outlook.

On 13 December 2016, Fitch confirmed the long-term rating for BNP Paribas to A+ with 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 more than 148,000 people, Retail Banking & Services accounts for 73% of the 2016 revenue generated by BNP Paribas' operating divisions.

### DOMESTIC MARKETS

Domestic Markets includes BNP Paribas' Retail Banking networks in France (FRB), Italy (BNL bc), Belgium (BRB, operating under the BNP Paribas Fortis brand) and Luxembourg (LRB, 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) and BNP Paribas Personal Investors (online savings and brokerage).

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

Retail Development and Innovation (RD&I), a Group-wide team for Retail Banking activities, aims to make them more attractive to customers, in particular through digital transformation.

Launched in 2013 and designed for use on smartphones and tablets, Hello bank! is the Group's digital bank in France, Italy, Belgium, Germany and Austria. At year-end 2016, Hello bank! had 2.5 million customers.

Domestic Markets employs more than 70,500 people, including 57,220 working in the four domestic networks. It serves close to 17 million customers, including more than 850,000 professionals, small businesses and corporates.

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 29,000 employees, French Retail Banking (FRB) supports its customers with their plans and projects. FRB offers a wide range of products and services to 6.7 million individual customers, 571,000 professionals and VSEs, 30,500[(4)] corporates (SMEs, mid-sized and large corporates) and 65,400[(4)] associations, ranging from simple current accounts to cutting edge structures for corporate financing and wealth & asset management.

To become the new reference in customer relations in French banking, FRB invests continuously in its extensive omni-channel organisation to align it with changing customer behaviour and the development of digital.

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

- for individual and professional customers, 1,964 branches and 6,124 ATMs operating under the BNP Paribas and BNP Paribas – Banque de Bretagne brands;
- for Private Banking customers, 201 Private Banking centres and 8 wealth management offices, making BNP Paribas the leading private bank in France[(5)];
- 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,
  - 12 innovation hubs to support innovative SMEs by providing solutions tailored to their specific needs;
- in addition, the Paris region has a specific structure to support corporate and small business clients:
  - 6 general business centres, and 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 2016.*

*(2) Source: Greenwich 2016.*

*(3) Source: Leaseurope 2015 ranking, published in June 2016 and placing BNP Paribas Leasing Solutions first in Europe for professional equipment financing, by both the number of new contracts and the total value of assets under management.*

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

*(5) Source: World Finance 2016, Euromoney 2016.*

  - 21 business resource centres focusing on forging closer links with VSEs,
  - 3 innovation hubs and one dedicated fintech hub,
  - 2 "We Are Innovation" (WAI) sites in Paris and Massy-Saclay, to pro-actively host start-ups and promote the growth of mid-size corporates;
- 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, 51 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:

- the mabanque.bnpparibas website and the mobile app "Mes Comptes", offering services used by more than 2.9 million unique customers per month, including 1.5 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.

## 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 2.6 million[2] individual customers, including close to 127,000 Hello bank! customers;
- 131,000[2] small business and VSE customers;
- approximately 18,200[2] medium and large corporates;
- 9,800[2] local authorities and non-profit organisations.

BNL bc has a strong position in lending, especially residential mortgages (market share of around 6.7%[3]), and holds a deposit base (3.7%[3] of household current accounts) that far exceeds its market penetration rate (2.8%[3] in terms of branch numbers).

BNL bc is also well established in the markets for corporates (market share of around 3.7%[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 no. 3 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:

- 787 branches, including a growing number of Open BNL omni-channel branches (approximately 126 branches) serving customers 24/7;
- 43 Private Banking centres;
- 50 small business centres;
- 16 branches dealing with SMEs, large corporates, local authorities and public sector organisations;
- 4 trade centres in Italy for its clients' cross-border activities;
- 5 Italian desks to assist Italian companies abroad and multinational companies with direct investments in Italy.

In addition, there are 1,818 ATMs, approximately 64,500 point-of-sale terminals, a network of approximately 280 financial advisers (called Life Bankers) and the Hello bank! digital network further expanding the service offering.

## BELGIAN RETAIL BANKING (BRB)

### Retail & Private Banking (RPB)

BNP Paribas Fortis is the no. 1 bank for retail customers[5] in Belgium and shares first place with another bank for the corporate and small business sector[6], with 3.6 million customers.

RPB helps to finance the economy through several networks integrated into an omni-channel retail strategy:

- the commercial network comprises 785 branches (of which 241 are independent). In addition, there are 300 Fintro franchises[7] and 662 retail outlets in partnership with Bpost Bank. Its 785 branches are organised as 93 branch groups reporting to 9 regions;
- RPB's digital platform manages a network of 3,767 ATMs, online banking services, Easy banking and mobile banking (1.8 million total cumulated active users);
- a customer contact centre is also available 83 hours a week, handling up to 53,000 calls per week.

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

*(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.*

*(5) Source: Benchmarking Monitor, December 2016.*

*(6) Source: Strategic Monitor Professionals 2015.*

*(7) In December 2016, Fintro had 300 branches, 1,050 staff and EUR 10.38 billion in assets under management (excluding insurance business) for 303,863 active clients.*

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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. Wealth Management 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(1) and 2 Wealth Management centres.

### Corporate & Public Bank Belgium (CPBB)

CPBB offers a comprehensive range of financial services to corporates, public entities and local authorities. With more than 600 corporate clients and more than 7,000 mid cap clients, it is the market leader(2) in both categories and a challenger in public and non-profit banking with 570 clients. CPBB keeps very close to the market through its team of more than 35 corporate bankers and more than 170 relationship managers operating out of 16 business centres, supported by specialists in specific areas.

## LUXEMBOURG RETAIL BANKING (LRB)

With a 15%(3) share of the Retail Banking market, and 23%(4) 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 120 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,
  - BGL BNPP Direct, the specialist online savings and investment bank with a dedicated team of financial advisors to assist customers to manage their portfolios;
- a Corporate Bank serving 1,500 corporates, with dedicated business managers;
- a Private Bank organised around 5 Private Banking 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. Expert advice and service quality are delivered by Arval's employees. In addition to vehicle leasing, Arval offers car-sharing and medium-term leasing solutions, as well as a suite of innovative, smart tools and services for its customers and their drivers.

Arval employed more than 6,400 people in 28 countries and managed a total leased fleet of 1,028,000 vehicles at end-December 2016, as it continues to deliver sustained commercial momentum and following the acquisition of GE Capital Fleet Services' European operations in November 2015. Arval also relies on strategic local partnerships in 22 other countries, thanks to the Element-Arval Global Alliance, that allows to meet the needs of international customers throughout the world. The Alliance counts more than 3 million vehicles in 50 countries.

## 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 equipment leasing and financing solutions and enhanced offer of services up to fleet management.

With close to 3,000 employees and operating capabilities in 21 countries, BNP Paribas Leasing Solutions is organised by market specialities, with dedicated sales teams, to offer to 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, telecom and specialised office technology as well as medical equipment;
- Bank Leasing Services, offering leasing products and services to customers of BNP Paribas banking entities.

BNP Paribas Leasing Solutions is, together with Arval, ranked no. 1 for professional equipment financing in Europe(5). BNP Paribas Leasing Solutions arranged close to 308,800 financing transactions in 2016. Its total outstandings under management amount to EUR 17.9 billion(6).

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

*(2) Source: surveys in 2016 by Greenwich and TNS.*

*(3) Source: TNS ILRES – 2016 Bank Survey.*

*(4) Source: TNS ILRES – 2016 SME Bank Surveys.*

*(5) Source: Leaseurope 2015 ranking, published in June 2016 and placing BNP Paribas Leasing Solutions 1st in Europe for professional equipment financing, by both the number of new contracts and the total value of assets under management.*

*(6) Amounts after transfer servicing.*

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## 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 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 and asset managers together. Services include market access, transactions, account management and custody services.

Covering Germany, Austria, Spain and India, Personal Investors currently employs 3,826 staff.

- 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 no. 4 full-service direct bank[1] in the market by the number of customers and the first online broker by the number of executed orders by individuals [2]. Personal Investors offers its services to more than 1.5 million customers in Germany.
- Sharekhan in India

  Sharekhan, acquired in November 2016, is India's 3rd largest online broker[3]. Its footprint extends to 575 towns through a network of 153 branches and 2,300 franchisees, serving nearly 1.4 million customers.
- Hello bank! Austria

  Hello bank! Austria is the 4th online bank in the Austrian market[4]. It serves more than 85,000 direct customers and partners with a broad range of investment solutions and dedicated transaction tools.
- BNP Paribas Personal Investors Spain

  Personal Investors Spain is one of the 10 leading brokers on the Spanish Stock Exchange[5]. Its client base includes individual customers and institutional clients, as well as asset managers.

# 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 36 countries to insure people, their projects and assets;
- Three leading specialist businesses in Wealth and Asset Management:
  - BNP Paribas Wealth Management: global benchmark in Private Banking with 6,600 staff, an international presence notably in Europe and in Asia, EUR 344 billion in assets under management;
  - BNP Paribas Investment Partners: a significant player in asset management, it has 2,330 staff in 32 countries with EUR 416 billion in assets under management;
  - BNP Paribas Real Estate: no. 1 provider of real estate services to corporates in Continental Europe[6]: 3,472 staff, 16 countries, EUR 24 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 Retail Banking 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.*), and through its 3 business lines:

- Retail Banking, including multichannel local networks (including 2,874[7] branches), serving more than 15 million customers[8];
- Wealth Management, in cooperation with International Financial Services;
- Corporate Banking, with a network of 92 business centres, 23 trade centres and 14 MNC desks dedicated to multinational companies, providing local access to BNP Paribas offers and support in all countries, in cooperation with CIB.

*(1) Excluding full-service direct bank specialised in automobile makers.*

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

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

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

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

*(6) Source: Property Week, June 2016.*

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

*(8) Total clients outside China. Bank of Nanjing, which is consolidated under the equity method, has more than 6.4 million clients.*

### 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 broad range of Retail Banking products and services to individuals, small businesses and corporate clients through branches and offices in 19 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. It is expanding its business, especially in the corporate, wealth management and SME segments.

With a local market share of almost 44% in bank deposits[(1)], First Hawaiian Bank 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 August 2016 and held 82.6% of the capital as at 31 December 2016. A secondary offer for 17.9% of the ordinary shares of First Hawaiian Bank was made on the 1 February 2017.

BancWest currently serves some 2.6 million customers. It has 11,600 employees, 616 branches, and total assets estimated at USD 98 billion as at 31 December 2016. It ranks as the 7th-largest[(1)] commercial bank in the western United States in terms of deposits.

### Europe-Mediterranean

Europe-Mediterranean operates in 14 countries through a network of 2,258[(2)] branches. 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 6 countries in Sub-Saharan Africa and a partnership in Asia (Bank of Nanjing in China).

in Poland, Bank BGZ, of wich acquisition was finalised in September 2014 merged with BNP Paribas Bank Polska SA in 2015 to form Bank BGZ BNP Paribas. The process of integrating the two entities continued in 2016. At 31 December 2016, Bank BGZ BNP Paribas' ownership structure is as follows: 88.3% owned by BNP Paribas, 6.7% by Rabobank and the free float is at 5%.

## PERSONAL FINANCE

### BNP Paribas Personal Finance, the leading specialist player in Europe[(3)]

BNP Paribas Personal Finance (PF) is the Group's consumer credit specialist. Personal Finance also has a mortgage business[(4)] in a small number of countries. With its 17,500 employees in some 30 countries, BNP Paribas Personal Finance ranks as the leading specialist player[(3)] in consumer credit in Europe.

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 and Italy, Personal Finance's lending and insurance offer has been complemented by savings products. In 2016, Personal Finance continued the process of integrating the LaSer Group teams and businesses.

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.

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.

*(1) Source: SNL Financial, data at 30 June 2016. 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.*

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

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

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

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 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, a world leader in personal insurance, has designed, developed and marketed savings and protection products and services to insure people, their projects and their assets.

Building on a unique business model, BNP Paribas Cardif shares its experience and expertise with more than 500 of the BNP Paribas Group's internal and external partners, which distribute its products to 100 million customers in 36 countries.

This multi-sector partner network comprises banks, credit institutions, car manufacturers' credit subsidiaries, retailers, telecoms, brokers and independent wealth management advisers, etc.

BNP Paribas Cardif provides saving solutions to build and grow capital, prepare for retirement, notably through guaranteed capital products, unit-linked funds or *Euro-croissance* contracts.

Number one worldwide in credit protection insurance[(1)], BNP Paribas Cardif has extended its offer of protection, historically based on insurance for borrowers, to health insurance, budget insurance, income protection and means of payment insurance, warranty extensions, non-life insurance, unemployment insurance, return-to-work assistance, protection of private digital data, etc, to meet consumers' changing needs.

To better serve its partners and customers, the insurer, which has close to 7,600 employees, has adopted a structure based on domestic markets (France, Italy, Luxembourg), international markets (other countries) and central functions.

## BNP PARIBAS WEALTH MANAGEMENT

BNP Paribas Wealth Management encompasses BNP Paribas' Private Banking activities, catering to a portfolio of wealthy individuals, shareholder families and entrepreneurs 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, artwork, 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 344 billion in assets under management in 2016 and more than 6,600 professionals working in Europe, Asia and the United States, BNP Paribas Wealth Management was ranked in 2016:

- "Best Private Bank in Europe"[(2)] for the fifth consecutive year, and no. 1 in France[(3)] and in Italy[(4)];
- "Best Private Bank in Greater China"[(5)] and no. 1 in Hong Kong[(6)];
- "Best Private Bank for "Ultra-High-Net-Worth individuals"[(7)] and "entrepreneurs"[(8)].

## BNP PARIBAS INVESTMENT PARTNERS

BNP Paribas Investment Partners is the dedicated asset management business of the BNP Paribas Group. Ranked as the 12th asset manager in Europe[(9)], BNP Paribas Investment Partners has a staff of 2,330 and EUR 416 billion in assets under management. It offers its services to both institutional investors (insurance companies, pension funds, official institutions and consultants) and private investors (through internal distributors – BNP Paribas Private Banking and Retail Banking – and external distributors). To strengthen its relationship with, and adapt its products offer to the specific needs of each client, BNP Paribas Investment Partners tailors its approach drawing on a broad range of expertise (including equities and bonds of developped countries, sustainable investments, emerging markets and multi-asset solutions).

*(1) Source: Finaccord.*

*(2) Source: Private Banker International 2012, 2013, 2014, 2015, 2016.*

*(3) Source: Euromoney 2016.*

*(4) Source: World Finance 2016.*

*(5) Source: Wealthbriefing 2016.*

*(6) Source: Triple A 2016.*

*(7) Source: Private Banker International 2016.*

*(8) Source: PWM/The Banker 2016.*

*(9) Source: Investment & Pensions Europe 2016 as at 31 December 2015.*

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As a responsible investor and company, BNP Paribas Investment Partners has for over 15 years been committed to a CSR approach aimed at reconciling the performance expected by its clients with the new social and environmental challenges of a changing world. Since then, the Company has unceasingly sought to reinforce its commitment, in its products and services, in the pursuit of its business and in its organisation and day-to-day activities.

### BNP PARIBAS REAL ESTATE

BNP Paribas Real Estate offers an extensive range of services across all stages of the property life cycle, from building design to everyday management:

- Advisory (Transaction, Advisory, Expertise) – 6.2 million sq.m. sold and assistance in EUR 18.9 billion in investments in 2016;
- Property Management – 38 million sq.m. of commercial real estate managed;
- Investment Management – EUR 24 billion in assets under management ;
- Development – 154,000 sq.m. of commercial real estate and almost 2,000 housing units delivered in 2016 (the leading French commercial real estate developer[1]).

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

Employing 3,472 people, BNP Paribas Real Estate serves the needs of its clients, including institutional investors, owner-occupiers, public entities and individuals.

With offices in 14 countries, BNP Paribas Real Estate is ranked no. 1 in commercial real estate services in continental Europe[2]. It also has:

- teams in the Middle East and in Asia to liaise with investors in these countries active in Europe;
- and a comprehensive network of business alliances with local partners in 20 other countries, notably in Europe and the United States.

In residential property, BNP Paribas Real Estate operates for the most part in France (Paris region, Bordeaux, Lyon, Marseille and Nice), and is also expanding into residential accommodation in Rome, Milan and London.

## 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 2016, 27% 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).

#### 2016 awards

- World Best Bank (*Euromoney Awards for Excellence*, 2016);
- Most Innovative Investment Bank for Climate Change and Sustainability Award (*The Banker Investment Banking Awards*, 2016).

### 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 centre for its activities.

*(1) Inovapresse Group Developer Ranking 2016 – No. 28.*

*(2) Source: Property Week, June 2016.*

In EMEA, Corporate Banking activities have a well-established geographic presence in 33 countries. This set-up reinforces the One Bank for Corporates approach developed in close cooperation with the Group's four domestic markets.

The activities dedicated to corporate clients are grouped into two business lines:

- **Corporate Clients Financing and Advisory** brings all the necessary expertise to address clients' investment and financing needs in a seamless way. This unit gathers coverage bankers and experts in Corporate Finance and in Financing Solutions (debt solution provider through bonds and syndicated loans). Since 2016, an Industry Groups set-up has been in place to work closely with the product expert and coverage teams in order to provide clients with better sector intelligence in the following areas: "consumer goods and healthcare", "energy, natural resources, infrastructure & transport", "food, beverages & retail", "industrials" and "media-telecoms";
- **Corporate Trade and Treasury Solutions** delivers a transversal platform for corporate clients' flow banking needs, in cash management, deposits and trade finance. This unit develops comprehensive international trade solutions from a Europe-based competence centre and a network of 51 trade centres in EMEA.

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

BNP Paribas is one of the best-placed international banks to support the local clients' needs in the region and beyond, as well as the growth of European and US clients in Asia-Pacific.

In the Americas, Corporate Banking is comprised of three platforms: Financing Solutions Americas, Advisory Americas 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 and acquisitions and primary and secondary equity capital markets operations. Corporate Coverage teams, based in New York, Houston, Toronto, Bogota, Santiago de Chile, Mexico City and São Paulo, offer all of the Bank's products.

### 2016 awards

- EMEA Loan House of the Year (*IFR Awards*, December 2016);
- EMEA Structured Equity House of the Year (*IFR Awards*, December 2016);
- Aviation Finance House of the Year (*Global Transport Finance Magazine*, January 2017);
- Best Bank for Transaction Services in Western Europe (*Euromoney*, 2016);
- Global Best Trade Finance Bank (*Global Finance*, January 2017);
- Global Bank of the Year for Financial Supply Chain Management (*TMI Awards for Innovation & Excellence in Treasury Management*, 2016);
- Best Trade Bank in Western Europe (*TFR*, 2016).

### 2016 rankings

- No. 1 European Large Corporate Banking and Cash Management *(Greenwich Share Leaders, 2017)*;
- No. 1 European Large Corporate Trade Finance (*Greenwich Share Leaders*, 2016);
- No. 4 Cash Management Bank Worldwide (*Euromoney Cash Management Survey*, 2016);
- No. 1 Bookrunner for all EMEA Syndicated Loans (*Dealogic*, FY 2016);
- No. 1 Bookrunner in EMEA for Acquisition Finance, Leveraged Loans and for the Media Telecom sector by number of deals (*Dealogic*, FY 2016);
- No. 2 Mandated Lead Arranger for ECA Guaranteed Financing (*Dealogic*, FY 2016);
- Exane BNP Paribas: No. 2 brokerage firm for Pan-European Equity Sectors Research (*Extel survey*, 2016);
- No. 1 EMEA Equity-Linked Bookrunner by number of deals and No. 2 by volumes (*Dealogic*, FY 2016).

## 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 35 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 high quality services, articulated around two activities and five global business lines:

- Fixed Income, Currencies & Commodities:
  - Foreign Exchange & Local Markets and Commodity Derivatives,
  - Rates,
  - Primary & Credit Markets (debt issuance and credit products);
- Equity & Prime Services:
  - Equity Derivatives,
  - Prime Solutions & Financing.

Global Markets also offers a range of sustainable financing and investment solutions designed to facilitate the energy transition and greenhouse gas reduction through the capital markets.

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### 2016 awards

- Euro Bond House of the Year, Europe Investment Grade Corporate Bond House of the Year, Equity Derivatives House of the year (*IFR Awards*, December 2016);
- Equity Derivatives House of the Year & Currency Derivatives House of the Year (*Risk Awards*, 2016);
- Volatility Derivatives Bank of the Year, Credit Derivatives Bank of the Year, Interest Rate Derivatives Bank of the Year (*Global Capital Derivatives Awards*, 2016);
- Securitisation and Structured Finance – APAC, Capital Raising – APAC, Green Finance – APAC (*The Banker Deals of the Year*, 2016);
- Most Innovative Investment Bank for Foreign Exchange (*The Banker Investment Banking Awards*, 2016).

### 2016 rankings

- No. 1 All EUR issuance volumes (*Dealogic*, FY 2016);
- No. 2 All EUR issuance revenues (*Dealogic*, FY 2016);
- No. 1 All EUR IG Corp volumes (*Dealogic*, FY 2016);
- No. 1 All EUR IG Corp revenues (*Dealogic*, FY 2016).

## SECURITIES SERVICES

Securities Services is one of the major global players in securities services with assets under custody up 6.7% to EUR 8,610 billion compared to 2015, and assets under management up 6.2% to EUR 1,962 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 financial 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, trading service and financing.

### 2016 awards

- Best Provider of ESG Investor Services (*Global Custodian, Industry Leaders Awards*, 2016);
- Best Asset Servicing Provider (*Chief Investment Officer Innovation Awards*, 2016);
- Best Administrator – Fund of Hedge Funds (*HFMWeek European Services Awards*, 2016);
- Best Administrator – Over USD30bn single manager (*HFMWeek US and Asia Hedge Fund Services Awards*, 2016);
- Best Bank for Cross-Border Custody in Asia (*Asian Investor Asset Management Awards*, 2016).

### 2016 rankings

- Market outperformer in the 17 major markets in which we are present (*Global Custodian, Agent Banks in Major Markets Survey*, 2016);
- Global outperformer (*Global Custodian, Hedge Fund Administration Survey*, 2016).

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## CORPORATE CENTRE

### PRINCIPAL INVESTMENTS

Principal Investments manages the Group's portfolio of listed and unlisted industrial and commercial investments with a view to supporting clients and extracting value over the medium and long term.

The Listed Investment Management unit acquires and manages minority interests in predominantly French listed companies.

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.

### 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: 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, in particular: changes in laws and regulations; extensive and evolving regulatory regimes; non-compliance with applicable laws and regulations;
- risks related to the Bank, its strategy, management and operations, 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 or 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 2015, BNP Paribas SA's share capital stood at EUR 2,492,770,306 divided into 1,246,385,153 shares. Details of historical change in share capital are provided in chapter 6, note 6a *Changes in share capital*.

In 2016, the number of shares comprising the share capital was impacted by the following two series of transactions:

- creation of 682,500 shares following the exercise of stock options;
- capital reduction by cancellation of 65,000 shares.

Thus, at 31 December 2016, BNP Paribas' share capital stood at EUR 2,494,005,306 divided into 1,247,002,653 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.**

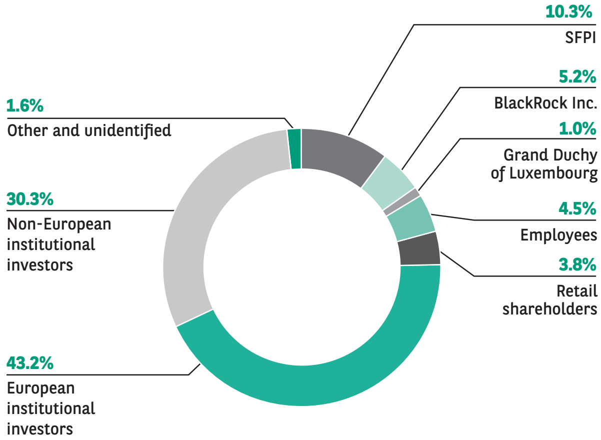
## CHANGES IN SHARE OWNERSHIP

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

| Date | | 31/12/2014 | | | 31/12/2015 | | | 31/12/2016 | |
|---|---|---|---|---|---|---|---|---|---|
| Shareholder | 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** | **10.3%** | **10.3%** | **127.75** | **10.2%** | **10.3%** | **127.75** | **10.2%** | **10.3%** |
| **BlackRock Inc.** | **-** | **-** | **-** | **63.04** | **5.1%** | **5.1%** | **64.39(**)** | **5.2%** | **5.2%** |
| **Grand Duchy of Luxembourg** | **12.87** | **1.0%** | **1.0%** | **12.87** | **1.0%** | **1.0%** | **12.87** | **1.0%** | **1.0%** |
| **Employees** | **64.36** | **5.2%** | **5.2%** | **61.46** | **4.9%** | **4.9%** | **56.42** | **4.5%** | **4.5%** |
| ■ o/w profit-sharing scheme | 47.21 | 3.8% | 3.8% | 43.91 | 3.5% | 3.5% | 40.70 | 3.3% | 3.3% |
| ■ o/w direct ownership | 17.15 | 1.4% | 1.4% | 17.55 | 1.4% | 1.4% | 15.72 | 1.2% | 1.2% |
| **Corporate officers** | **0.33** | **NS** | **NS** | **0.15** | **NS** | **NS** | **0.17** | **NS** | **NS** |
| **Treasury shares(***)** | **3.40** | **0.3%** | **-** | **2.06** | **0.2%** | **-** | **1.17** | **0.1%** | **-** |
| **Retail shareholders** | **56.35** | **4.5%** | **4.5%** | **54.41** | **4.4%** | **4.4%** | **47.80** | **3.8%** | **3.8%** |
| **Institutional investors** | **944.94** | **75.8%** | **76.1%** | **880.12** | **70.6%** | **70.7%** | **916.30** | **73.5%** | **73.5%** |
| ■ Europe | 553.97 | 44.5% | 44.6% | 558.34 | 44.8% | 44.9% | 538.62 | 43.2% | 43.2% |
| ■ Outside Europe | 390.97 | 31.3% | 31.5% | 321.78 | 25.8% | 25.8% | 377.68 | 30.3% | 30.3% |
| **Other and unidentified** | **35.95** | **2.9%** | **2.9%** | **44.53** | **3.6%** | **3.6%** | **20.13** | **1.7%** | **1.7%** |
| **TOTAL** | **1,245.96** | **100%** | **100%** | **1,246.39** | **100%** | **100%** | **1,247.00** | **100%** | **100%** |

*(*) Société Fédérale de Participations et d'Investissement: a public-interest limited company ("société anonyme") acting on behalf of the Belgian government.*
*(**) According to statement by BlackRock, AMF Document No. 216C2699 dated 1 December 2016.*
*(***) Excluding trading desks' inventory positions.*

### BNP PARIBAS' OWNERSHIP STRUCTURE AT 31 DECEMBER 2016 (% OF VOTING RIGHTS)




To the best of the Company's knowledge, no shareholder, other than SFPI *(Société Fédérale de Participations et d'Investissement)* and BlackRock Inc., held more than 5% of the capital or voting rights as at 31 December 2016.

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' issue of ordinary shares in 2009,
  - the reduction in its capital through the cancellation, on 26 November 2009, of preferred shares issued on 31 March 2009 to Société de Prise de Participation de l'État.

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

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

On 1 December 2016 (AMF disclosure No. 216C2699), BlackRock Inc. disclosed that its interest in BNP Paribas' capital and voting rights had risen, as at 30 November 2016, above the 5% disclosure thresholds. On this date, BlackRock held 64,393,873 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.

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## BNP PARIBAS SHARE PERFORMANCE BETWEEN 31 DECEMBER 2013 AND 31 DECEMBER 2016

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 2013 to 31 December 2016, BNP Paribas' share price rose 6.9% from EUR 56.65 to EUR 60.55, outperforming other euro zone banks (EURO STOXX Banks: -16.8%) and European banks (STOXX Banks: -12.2%), but underperforming the CAC 40 (+13.2%).

  In 2016, European bank shares were impacted by fears regarding economic growth, the uncertainty on monetary policies, the outcome of various elections and referendum in Europe and the United States, and concerns about the consequences of a harsher regulatory regime on the profitability of financial activities. However, in the second half of the year, hopes for more favourable regulatory developments and the outlook for higher interest rates in the US helped to lift shares.

  BNP Paribas shares rose 15.9% in 2016, outperforming other banks in the euro zone (EURO STOXX Banks: -8.0%), European banks (STOXX Banks: -6.8%) and the CAC 40 (+4.9%).

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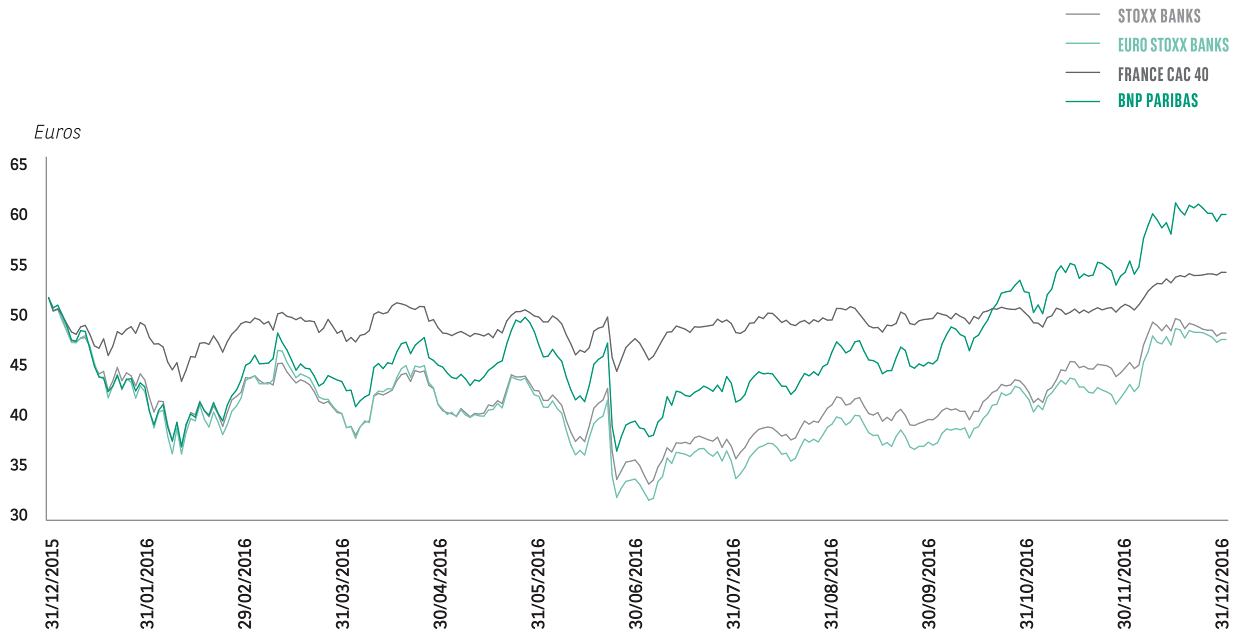
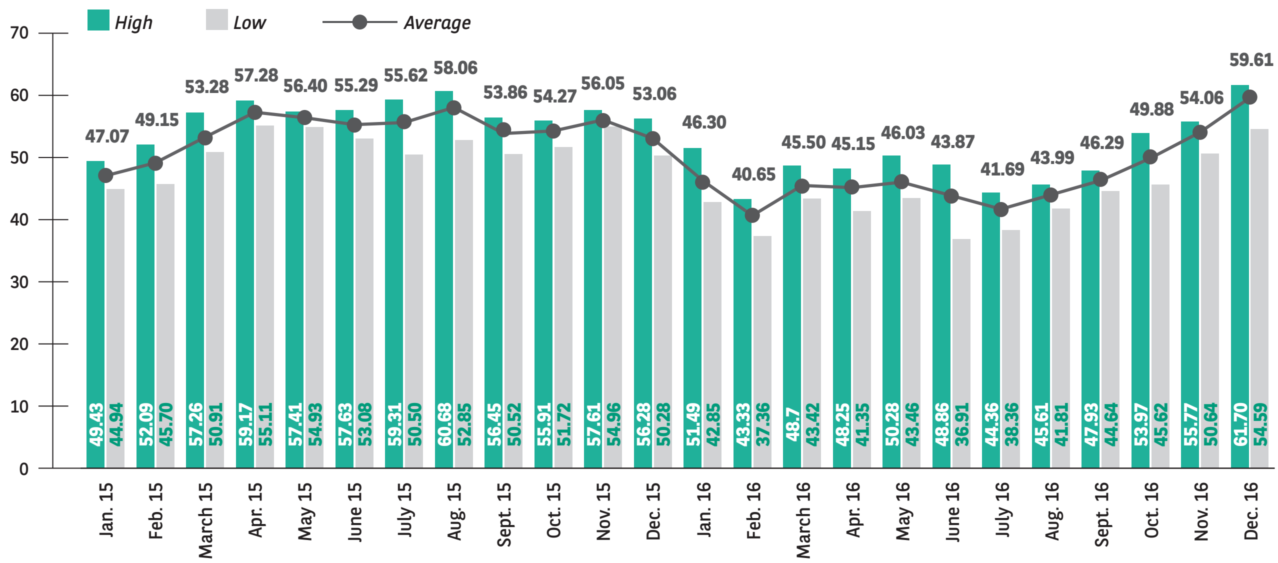
## BNP PARIBAS SHARE PRICE PERFORMANCE BETWEEN 1 JANUARY 2016 AND 31 DECEMBER 2016

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




*Source: Bloomberg*

## BNP PARIBAS MONTHLY AVERAGES AND HIGH AND LOW MONTHLY CLOSING PRICES SINCE JANUARY 2015




*Source: Bloomberg*

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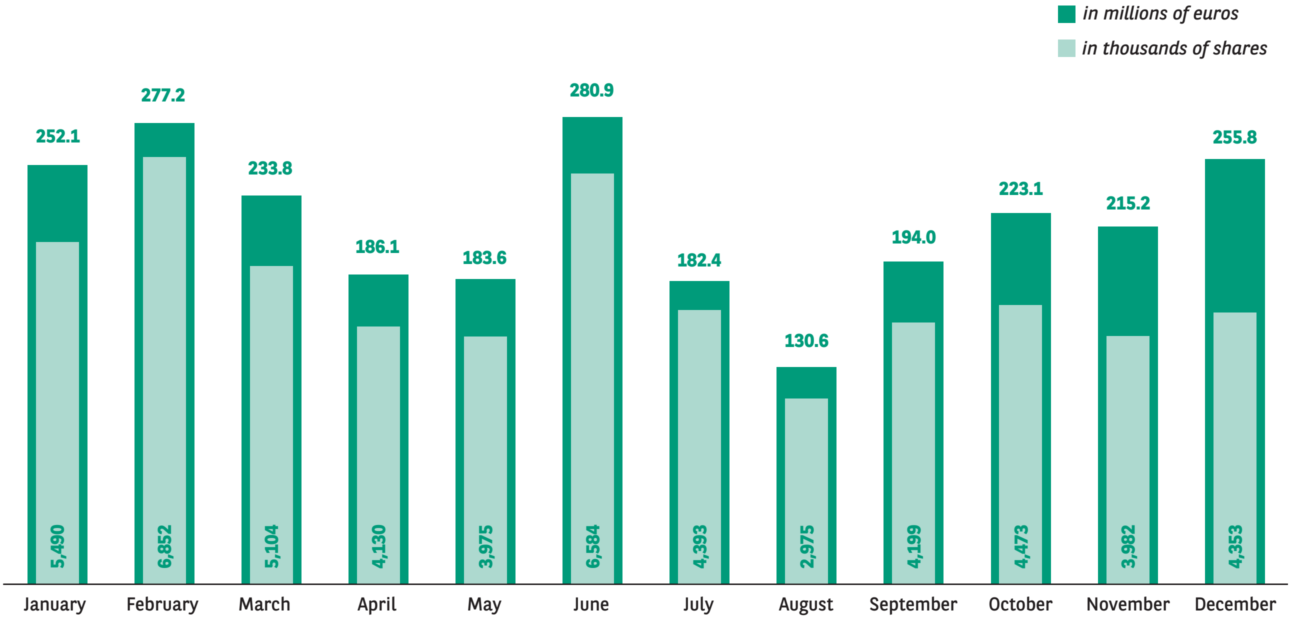
At 31 December 2016, BNP Paribas'market capitalisation was EUR 75.5 billion, ranking it 5th among CAC 40 stocks. In terms of market capitalisation, BNP Paribas' free float ranks 3rd on the Paris market index and 12th in the EURO STOXX 50.

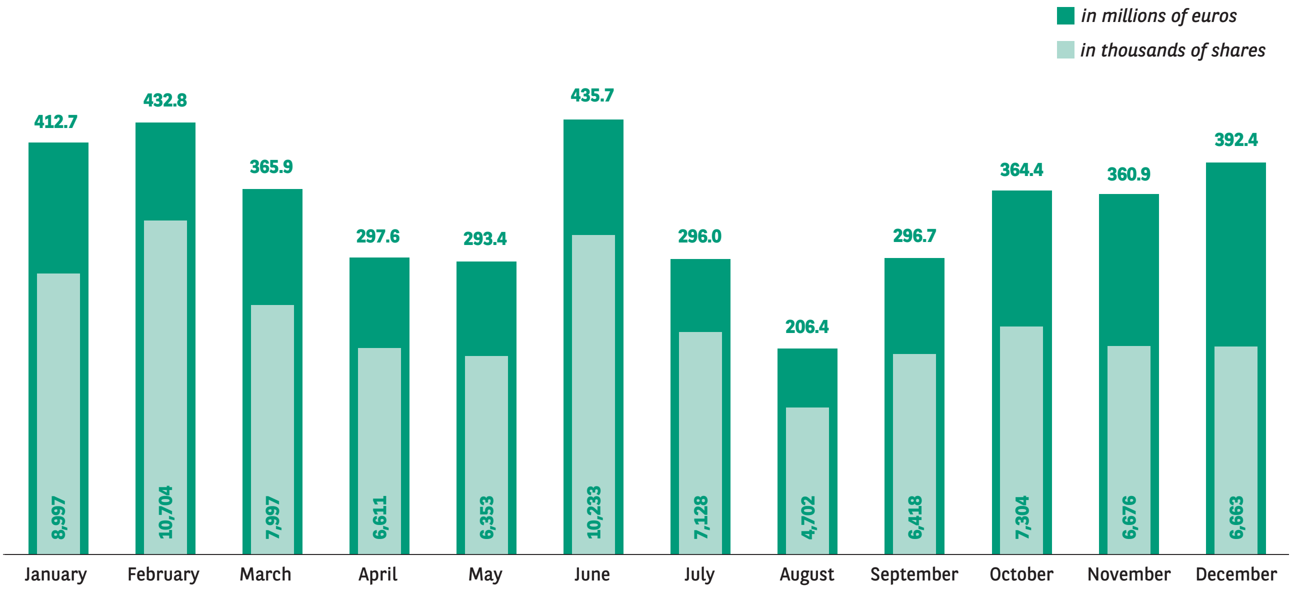
- Daily trading volume on Euronext Paris averaged 4,692,312 shares in 2016, up 8.89% from 4,309,032 shares per trading session in 2015. Including the volumes traded on MTFs (Multilateral Trading Facilities), daily trading volume averaged 7,453,770 shares in 2016, up 7.63% from 6,925,229 in 2015.

## TRADING VOLUME ON EURONEXT PARIS IN 2016 (DAILY AVERAGE)




Source: Euronext

## TOTAL OF TRADING VOLUME ON EURONEXT AND MTFs IN 2016 (DAILY AVERAGE)




Source: Euronext

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## KEY SHAREHOLDER DATA

| *In euros* | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Earnings per share(1) | 5.16 | 3.68(**) | (0.07)(***) | 5.14 | 6.00 |
| Net book value per share(2) | 63.06(*) | 65.00(**) | 66.61 | 70.95 | 73.90 |
| Net dividend per share | 1.50 | 1.50 | 1.50 | 2.31 | 2.70(3) |
| Pay-out ratio *(%)*(4) | 29.7 | 40.9(**) | n.s. | 45.0 | 45.0 |
| **Share price** | | | | | |
| High(5) | 44.83 | 56.72 | 61.82 | 61.00 | 62.00 |
| Low(5) | 24.54 | 37.47 | 43.28 | 43.14 | 35.27 |
| Year-end | 42.61 | 56.65 | 49.26 | 52.23 | 60.55 |
| CAC 40 index on 31 December | 3,641.07 | 4,295.95 | 4,272.75 | 4,637.06 | 4,862.31 |

*(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 23 May 2017.*
*(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 the amendment to IAS 19.*
*(**) 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 2016, 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 | 18/10/1993 | 36.59 | 4.8043 | 7.9503 | 9.34% |
| 23 years | 03/01/1994 | 43.31 | 4.3748 | 6.1163 | 8.19% |
| 22 years | 03/01/1995 | 37.20 | 4.2951 | 6.9911 | 9.24% |
| 21 years | 02/01/1996 | 33.57 | 4.2056 | 7.5856 | 10.12% |
| 20 years | 02/01/1997 | 30.40 | 4.0832 | 8.1329 | 11.04% |
| 19 years | 02/01/1998 | 48.86 | 3.9561 | 4.9026 | 8.72% |
| 18 years | 04/01/1999 | 73.05 | 3.8744 | 3.2115 | 6.70% |
| Since the creation of BNP Paribas | 01/09/1999 | 72.70 | 3.7695 | 3.1396 | 6.82% |
| 17 years | 03/01/2000 | 92.00 | 3.7695 | 2.4809 | 5.49% |
| 16 years | 02/01/2001 | 94.50 | 3.6671 | 2.3496 | 5.48% |
| 15 years | 02/01/2002 | 100.4 | 3.5479 | 2.1397 | 5.20% |
| 14 years | 02/01/2003 | 39.41 | 1.7168 | 2.6378 | 7.17% |
| 13 years | 02/01/2004 | 49.70 | 1.6513 | 2.0117 | 5.52% |
| 12 years | 03/01/2005 | 53.40 | 1.5831 | 1.7950 | 5.00% |
| 11 years | 02/01/2006 | 68.45 | 1.5270 | 1.3508 | 2.77% |
| 10 years | 02/01/2007 | 83.50 | 1.4631 | 1.0610 | 0.59% |
| 9 years | 02/01/2008 | 74.06 | 1.4140 | 1.1561 | 1.62% |
| 8 years | 02/01/2009 | 30.50 | 1.3454 | 2.6709 | 13.07% |
| 7 years | 02/01/2010 | 56.11 | 1.2805 | 1.3818 | 4.73% |
| 6 years | 03/01/2011 | 48.30 | 1.2431 | 1.5583 | 7.68% |
| 5 years | 02/01/2012 | 30.45 | 1.1954 | 2.3770 | 18.91% |
| 4 years | 02/01/2013 | 43.93 | 1.1456 | 1.5790 | 12.11% |
| 3 years | 02/01/2014 | 56.70 | 1.1082 | 1.1834 | 5.78% |
| 2 years | 02/01/2015 | 49.43 | 1.0774 | 1.3198 | 14.90% |
| 1 year | 04/01/2016 | 51.75 | 1.0494 | 1.2279 | 23.00% |

## 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 2017, the timetable is as follows(1):

- 7 February 2017: publication of 2016 full year results;
- 3 May 2017: publication of first quarter 2017 results;
- 28 July 2017: publication of second-quarter and first-half 2017 results;
- 31 October 2017: publication of third-quarter and nine month 2017 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 412,000 retail shareholders (internal sources and TPI Survey as at 31 December 2016). 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 2016, presentations were held in Nantes on 29 June and in Versailles on 29 September). BNP Paribas representatives also met and spoke with over 1,500 people at the Actionaria shareholder fair held in Paris on 18 and 19 November 2016.

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 two financial newsletters 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 news magazines sent by email and available online. 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. The Bank also organises scientific conferences and tours of industrial sites. 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 2016.

Shareholders can obtain information about these services by dialling a **special French toll-free number**: **+33(0)800 666 777**. A telephone news service can also be accessed through the same number, offering a wide range of information to BNP Paribas shareholders, such as the share price, shareholders' events, news and interviews. There is also a *Cercle des Actionnaires* website **(www.cercle-actionnaires.bnpparibas.com)**, which features all the available offers and services, after creating a personal member's space.

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"** section 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.*

## SHAREHOLDER LIAISON COMMITTEE

After its formation in 2000, BNP Paribas decided to create a Bank 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 2016, the members of the Liaison Committee were as follows:

- Jean Lemierre, Chairman;
- Adrien Besombes, resident of the Indre-et-Loire department;
- Georges Bouchard, resident of the Yvelines department;
- Catherine Drolc, resident of the Hérault department;
- Laurent Dupuy, resident of the Alpes-Maritimes department;
- François Ferrus, resident of Paris;
- Françoise Mahieu Germain, resident of the Yvelines department;
- André Peron, resident of the Finistère department;
- Dyna Peter-Ott, resident of the Bas-Rhin department;
- Jean-Pierre Riou, resident of the Loire-Atlantique department;
- Jean-Jacques Rohrer, resident of the Hauts-de-Seine department;
- Anny Jans, BNP Paribas employee, resident of Belgium;
- Philippe Tassin, BNP Paribas employee, resident of the Oise department.

In accordance with the committee's Charter – *i.e.* the Internal Rules that all committee members have adopted – the committee met twice in 2016, on 25 March and 23 September, in addition to taking part in the Annual General Meeting and attending the Actionaria shareholder fair.

The main topics of discussion included:

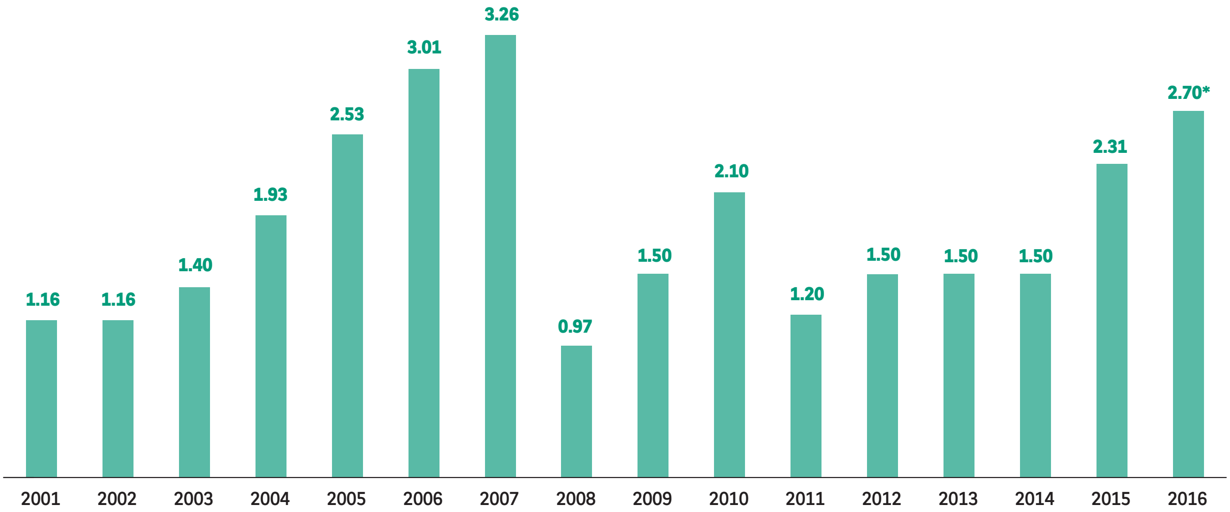
- BNP Paribas' ownership structure and changes therein, particularly among retail shareholders;
- proposals submitted to "*Cercle des actionnaires* members";
- the draft 2015 Registration document and Annual Report;
- quarterly results;
- initiatives taken in preparation for the Annual General Meeting;
- 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 Domestic Markets, presented to the members of the committee by the Deputy COO responsible for this business line;
- Group Communication, presented to the committee by the Head of this central function.

## DIVIDEND

At the Annual General Meeting on 23 May 2017, the Board of Directors will recommend a dividend of EUR 2.70 per share (an increase of +17% from 2016). The shares will go ex-dividend on 30 May and the dividend will be paid on 1 June 2017, subject to approval at the Annual General Meeting.

The total amount of the proposed payout is EUR 3,367 million, an increase of +17% compared with the amount paid in 2016.

## CHANGE IN DIVIDEND (IN EURO PER SHARE)




*(*) Subject to approval at the Annual General Meeting of 23 May 2017.*

*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 2016, 48,578 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)]; the 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 signature of a "brokerage services agreement" (free of charge).*

1

### 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 26 May 2016 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 | (%) | Equity | (%) |
|---|---|---|---|---|
| Present | 1,590 | *12.23%* | 206,854,742 | *26.21%* |
| Appointment of proxy | 23 | *0.18%* | 1,722 | *0.00%* |
| Proxy given to Chairman | 6,212 | *47.80%* | 9,823,022 | *1.25%* |
| Postal votes | 5,172 | *39.79%* | 572,470,920 | *72.54%* |
| **TOTAL** | **12,997** | ***100.00%*** | **789,150,406** | ***100.00%*** |
| *of which online* | 7,557 | *58.14%* | 119,871,165 | *15.19%* |
| | | | | **Quorum** |
| **Number of ordinary shares (excluding treasury stock)** | | | **1,245,168,036** | **63.38%** |

All resolutions proposed to the shareholders were approved.

## ➤ SHAREHOLDERS' COMBINED GENERAL MEETING OF 26 MAY 2016

| Results | Rate of approval |
|---|---|
| ORDINARY MEETING | |
| **First resolution:** approval of the parent company financial statements for 2015 | 99.63% |
| **Second resolution:** approval of the consolidated financial statements for 2015 | 99.64% |
| **Third resolution:** appropriation of net income for the year ended 31 December 2015 and dividend distribution | 99.61% |
| **Fourth resolution:** non-compete agreement between BNP Paribas and Jean-Laurent Bonnafé, Chief Executive Officer | 95.23% |
| **Fifth resolution:** authorisation for BNP Paribas to buy back its own shares | 99.70% |
| **Sixth resolution:** renewal of the term of office of Jean-Laurent Bonnafé as a Director | 98.92% |
| **Seventh resolution:** renewal of the term of office of Marion Guillou as a Director | 99.07% |
| **Eighth resolution:** renewal of the term of office of Michel Tilmant as a Director | 96.35% |
| **Ninth resolution:** appointment of Wouter De Ploey as a Director | 96.97% |
| **Tenth resolution:** advisory vote on the components of the compensation due or awarded in respect of fiscal year 2015 to Jean Lemierre, Chairman of the Board of Directors – recommendation of § 24.3 of the Afep-Medef Code | 97.80% |
| **Eleventh resolution:** advisory vote on the components of the compensation due or awarded in respect of fiscal year 2015 to Jean-Laurent Bonnafé, Chief Executive Officer – recommendation of § 24.3 of the Afep-Medef Code | 81.47% |
| **Twelfth resolution:** advisory vote on the components of the compensation due or awarded in respect of fiscal year 2015 to Philippe Bordenave, Chief Operating Officer – recommendation of § 24.3 of the Afep-Medef Code | 81.50% |
| **Thirteenth resolution:** advisory vote on the components of the compensation due or awarded in respect of fiscal year 2015 to François Villeroy de Galhau, Chief Operating Officer until 30 April 2015 – recommendation of § 24.3 of the Afep-Medef Code | 83.13% |
| **Fourteenth resolution:** advisory vote on the overall amount of compensation of any kind paid during fiscal year 2015 to executives and certain categories of staff – article L.511-73 of the French Monetary and Financial Code | 82.66% |
| **Fifteenth resolution:** setting the amount of Directors' fees | 99.74% |
| EXTRAORDINARY MEETING | |
| **Sixteenth resolution:** capital increase, maintaining preferential subscription rights, through the issue of ordinary shares and share equivalents giving access immediately or in the future to shares to be issued | 90.23% |
| **Seventeenth resolution:** capital increase, eliminating preferential subscription rights, through the issue of ordinary shares and share equivalents giving access immediately or in the future to shares to be issued | 93.76% |
| **Eighteenth resolution:** capital increase, eliminating preferential subscription rights, through the issue of ordinary shares and share equivalents 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 | 94.87% |
| **Nineteenth resolution:** overall ceiling on authorisation of new issues with elimination of preferential subscription rights | 96.26% |
| **Twentieth resolution:** capital increase by incorporation of reserves, profits, additional paid-in capital or contributions | 99.90% |
| **Twenty-first resolution:** overall ceiling on authorisation of new issues, with preferential subscription rights maintained or eliminated | 90.62% |
| **Twenty-second resolution:** authorisation granted to the Board of Directors to conduct transactions reserved for the members of the BNP Paribas Group Company Savings Plan, which may take the form of capital increases and/or sales of reserved securities | 98.39% |
| **Twenty-third resolution:** authorisation granted to the Board of Directors to reduce the share capital by cancelling shares | 99.80% |
| **Twenty-fourth resolution:** powers to carry out formalities | 99.82% |

The 2016 Annual General Meeting was an additional opportunity for BNP Paribas to demonstrate its commitment to sustainable development, and to 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 19,080 in 2016) 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 2016 contributions were ultimately divided between 37 projects, all of which were initiated by BNP Paribas staff. Most of those projects were in Europe (53%), Africa (37%) and Asia (10%). The amounts awarded varied from EUR 1,000 to EUR 4,000 (with an average of EUR 3,300) depending on the scale of the project, its nature and, naturally, the commitment of employees to the projects they propose. The projects mainly involved community outreach (education, poverty and integration: 43%), humanitarian aid (40%), and healthcare and disability (16%). The allocation of funds is contained in the notice calling the next Annual General Meeting.

### NOTICES OF MEETING

BNP Paribas will hold its next Shareholders' Combined General Meeting on 23 May 2017[(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. Staff 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, a significant proportion (11.8%) 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 58% of all shareholders taking part in the vote in 2016 used the platform provided.

Bearer shareholders who did not use the online platform returned the printed form enclosed with the notice of meeting to their custodian. 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, 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

# 2.1 Presentation

## MEMBERSHIP OF THE BOARD OF DIRECTORS



**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: 1 December 2014 – 2017 AGM
*Date first elected to the Board:* 1 December 2014

*Number of BNP Paribas shares held*[(1)]*:* 25,398[(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

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

**Other[(1)]**
Centre 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)*

| 2015: | 2014: | | |
|---|---|---|---|
| **Chairman of the Board of directors of:** BNP Paribas<br>**Director of:** TEB Holding AS (Turkey)<br>**Chairman of:** Centre for Prospective Studies and International Information (CEPII)<br>**Member of:** 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 of:** BNP Paribas<br>**Director of:** Bank Gospodarki Zywnosciowej (BGZ) (Poland), TEB Holding AS (Turkey)<br>**Chairman of:** Centre for Prospective Studies and International Information (CEPII)<br>**Member of:** 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 2016.*
*(2) Includes 1,072 BNP Paribas shares held 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)*:* 82,442(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

**Offices(1) held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad**
Carrefour(*), Director

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

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| **Director and Chief Executive Officer of:** BNP Paribas<br>**Director of:** Carrefour, BNP Paribas Fortis (Belgium) | **Director and Chief Executive Officer of:** BNP Paribas<br>**Director of:** Carrefour, BNP Paribas Fortis (Belgium) | **Director and Chief Executive Officer of:** BNP Paribas<br>**Director of:** Carrefour, Banca Nazionale del Lavoro (Italy), BNP Paribas Fortis (Belgium) | **Director and Chief Executive Officer of:** BNP Paribas<br>**Director of:** Carrefour, Banca Nazionale del Lavoro (Italy), BNP Paribas Fortis (Belgium), Erbé SA (Belgium) |

*(1) At 31 December 2016.*
*(2) Includes 19,896 BNP Paribas shares held under the Company Savings Plan.*
*(*) Listed company.*

**Pierre André DE CHALENDAR**
**Principal function: Chairman and Chief Executive Officer of Compagnie de Saint-Gobain**

Date of birth: 12 April 1958
*Nationality:* French
*Term start and end dates:* 13 May 2015 – 2018 AGM
*Date first elected to the Board:* 23 May 2012

*Number of BNP Paribas shares held*(1)*:* 3,000
*Office address:* Les Miroirs
92096 LA DÉFENSE CEDEX,
FRANCE

**Education**
Graduate of École Supérieure des Sciences Économiques et Commerciales (ESSEC)
Graduate of the École Nationale d'Administration

**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**
Compagnie de Saint-Gobain(*), Chairman and Chief Executive Officer
GIE SGPM Recherches, Director
Saint-Gobain Corporation, Director

**Participation(1) in specialised committees of French or foreign companies**
BNP Paribas, Chairman of the Remuneration Committee and member of the Corporate Governance, Ethics, Nominations and CSR Committee
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)*

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| **Chairman and Chief Executive Officer of:** Compagnie de Saint-Gobain<br>**Director of:** BNP Paribas, GIE SGPM Recherches, Saint-Gobain Corporation (United States) | **Chairman and Chief Executive Officer of:** Compagnie de Saint-Gobain<br>**Director of:** BNP Paribas, GIE SGPM Recherches, Saint-Gobain Corporation (United States), Veolia Environnement | **Chairman and Chief Executive Officer of:** Compagnie de Saint-Gobain<br>**Chairman of:** Verallia<br>**Director of:** BNP Paribas, Veolia Environnement, Saint-Gobain Corporation (United States), GIE SGPM Recherches | **Chairman and Chief Executive Officer of:** Compagnie de Saint-Gobain<br>**Chairman of:** Verallia<br>**Director of:** BNP Paribas, Veolia Environnement, Saint-Gobain Corporation (United States), GIE SGPM Recherches |

*(1) At 31 December 2016.*
*(*) Listed company.*

**Monique COHEN**
**Principal function: Partner of Apax Partners MidMarket**

Date of birth: 28 January 1956
*Nationality:* French
*Term start and end dates:* 14 May 2014 – 2017 AGM
*First elected to the Board on:* 12 February 2014, ratified by the Annual General Meeting of 14 May 2014

*Number of BNP Paribas shares held*(1): 9,620
*Office address:* 1, rue Paul-Cézanne
75008 PARIS,
FRANCE

**Education**
Graduate of the École Polytechnique
Master's Degree in Mathematics
Master's Degree in Business Law

**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**
Hermès, Vice-Chairwoman of the Supervisory Board
JC Decaux, member of the Supervisory Board
Safran, Director
**Positions held under the principal function**
Apax Partners MidMarket SAS, member of the Board of directors
Proxima Investissement SA (Luxembourg), Chairwoman of the Board
**Participation(1) in specialised committees of French or foreign companies**
BNP Paribas, member of the Financial Statements Committee and Remuneration Committee
Hermès, Chairwoman of the Audit and Risk Committee
JC Decaux, member of the Audit Committee
Safran, member of the Audit and Risk Committee
**Other(1)**
Global Project SAS, member of the Special Committee (advisory body)

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

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

*(1) At 31 December 2016.*
*(*) Listed company.*

2

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

Date of birth: 5 April 1965
*Nationality:* Belgian
*Term start and end dates:* 26 May 2016 – 2019 AGM
*Date first elected to the Board:* 26 May 2016

*Number of BNP Paribas shares held*(1) *:* 500
*Office address:* Leopoldstraat 26
B-2000 ANTWERPEN/ANVERS,
BELGIUM

**Education**
Master's degree and Doctorate in Economics from the University of Michigan, Ann Arbor (United States of America)
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**
BNP Paribas(*), Director
**Offices(1) held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad**
GIMV XL, member of the Supervisory Board
**Other(1)**
Belgian - American Educational Foundation (Belgium), member
Chamber of Commerce bureau, VOKA Antwerp - Waasland (Belgium), Vice-Chairman
Haute École Odisee (Belgium), Director
Lannoo publishing company (Belgium), Adviser to the Board of directors
Museum of Contemporary Art, Antwerp (Belgium), Chairman of the Board of directors

*(1) At 31 December 2016.*
*(*) Listed company.*

**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 in listed or unlisted companies outside the BNP Paribas Group, in France or abroad**
IAVFF-Agreenium (public institution), Chairwoman of the Board of directors of Institut Agronomique, Vétérinaire et Forestier de France
Apave, Director
CGIAR (international organisation), Director
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
Apave, member of the Strategic Committee
Imerys, member of the Nominations and Compensation Committee
Veolia Environnement, member of the Research, Innovation and Sustainable Development Committee and the Remuneration Committee
**Other(1)**
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

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

| 2015: | 2014: | 2013: | |
|---|---|---|---|
| **Chairwoman of the Board of directors of:** IAVFF-Agreenium (public institution)<br>**Director of:** BNP Paribas, Apave, CGIAR, Imerys, Veolia Environnement<br>**Member of:** Board of directors of Fondation Nationale des Sciences Politiques (FNSP) | **Chairwoman of the Board of directors of:** IAVFF-Agreenium (public institution)<br>**Director of:** BNP Paribas, Apave, CGIAR, Imerys, Veolia Environnement | **Chairwoman of the Board of directors of:** IAVFF-Agreenium (public institution)<br>**Director of:** BNP Paribas, Apave, CGIAR, Imerys, Veolia Environnement | |

*(1) At 31 December 2016.*
*(*) Listed company.*

| **Denis KESSLER**<br>**Principal function: Chairman and Chief Executive Officer of SCOR SE** | |
|---|---|
| Date of birth: 25 March 1952<br>*Nationality:* French<br>*Term start and end dates:* 13 May 2015 – 2018 AGM<br>*Date first elected to the Board:* 23 May 2000<br><br>*Number of BNP Paribas shares held*[1]: 2,684<br>*Office address:* 5 avenue Kléber<br>75016 PARIS,<br>FRANCE<br><br>**Education**<br>Degree in Economic Science<br>Degree in Social Science<br>Doctor of Economic Science<br>Graduate of the École des Hautes Études Commerciales<br>French Institute of Actuaries, qualified member | **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>Invesco Ltd[*] (United States), Director<br>SCOR SE[*], Chairman and Chief Executive Officer<br>**Participation[1] in specialised committees of French or foreign companies**<br>BNP Paribas, Chairman of the Financial Statements Committee<br>Invesco Ltd, member of the Audit Committee, Compensation Committee, and Corporate Governance and Nominations Committee<br>SCOR SE, Chairman of the Strategic Committee<br>**Other[1]**<br>Institut des Sciences morales et politiques, member<br>Geneva Association, member of the Board of directors<br>Conference Board, member (Global counsellor)<br>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)*

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| **Chairman and Chief Executive Officer of:** SCOR SE<br>**Director of:** BNP Paribas, Invesco Ltd (United States)<br>**Member of:** Board of directors of the Geneva Association, Bureau of the French insurance companies federation (Fédération Française des Sociétés d'Assurance), Conference Board (Global counsellor), Global Reinsurance Forum - Reinsurance Advisory Board | **Chairman and Chief Executive Officer of:** SCOR SE<br>**Director of:** BNP Paribas, Invesco Ltd (United States)<br>**Member of the Supervisory Board of:** Yam Invest NV (Netherlands)<br>**Member of:** the 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 of:** SCOR SE<br>**Director of:** BNP Paribas, Dassault Aviation, Invesco Ltd (United States)<br>**Member of the Supervisory Board of:** Yam Invest NV (Netherlands)<br>**Member of:** 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 | **Chairman and Chief Executive Officer of:** SCOR SE<br>**Director of:** BNP Paribas, Bolloré, Dassault Aviation, Fonds Stratégique d'Investissement, Invesco Ltd (United States)<br>**Member of the Supervisory Board of:** Yam Invest NV (Netherlands)<br>**Member of:** 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) |

*(1) At 31 December 2016.*
*(*) Listed company.*

2

## Jean-François LEPETIT
**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)*

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| **Director of:** BNP Paribas, Shan SA<br>**Member of:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar) | **Director of:** BNP Paribas, Shan SA, Smart Trade Technologies SA<br>**Member of:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar) | **Director of:** BNP Paribas, Smart Trade Technologies SA, Shan SA<br>**Member of:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar), Conseil de la régulation financière et du risque systémique (Corefris) | **Director of:** BNP Paribas, Smart Trade Technologies SA, Shan SA<br>**Member of:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar), Conseil de la régulation financière et du risque systémique (Corefris) |

*(1) At 31 December 2016.*
*(*) Listed company.*

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

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

*Number of BNP Paribas shares held*(1)*:* 1,937(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 Management and Compliance Committee and 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)*

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| Judge at the Paris Employment Tribunal, Management Section,<br>**Director of:** BNP Paribas<br>**Member of:** Commission paritaire de la Banque (Association Française des Banques – Recourse Commission) | Judge at the Paris Employment Tribunal, Management Section,<br>**Director of:** BNP Paribas<br>**Member of:** Commission paritaire de la Banque (Association Française des Banques – Recourse Commission) | Judge at the Paris Employment Tribunal, Management Section,<br>**Director of:** BNP Paribas<br>**Member of:** Commission paritaire de la Banque (Association Française des Banques – Recourse Commission) | Judge at the Paris Employment Tribunal, Management Section,<br>**Director of:** BNP Paribas<br>**Member of:** Commission paritaire de la Banque (Association Française des Banques – Recourse Commission) |

*(1) At 31 December 2016.*
*(2) Includes 1,763 BNP Paribas shares held under the Company Savings Plan.*
*(*) Listed company.*

| Laurence PARISOT<br>Principal function: Manager 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>**Participation[1] in specialised committees of French or foreign companies**<br>BNP Paribas, Chairman of the Corporate Governance, Ethics, Nominations and CSR Committee<br>EDF, member of the Audit Committee and the Strategy Committee<br>**Other[1]**<br>Scientific and Assessment Board of Fondapol, Chairwoman<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 Chairwoman |

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

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| **Vice-Chairwoman of the Management Board of:** Ifop SA<br>**Honorary Chairwoman of:** Mouvement des Entreprises de France (Medef)<br>**Chairwoman of:** Scientific and Assessment Board of Fondapol<br>**Director of:** BNP Paribas, EDF<br>**Member of:** European Council for Foreign Relations | **Vice-Chairwoman of the Management Board of:** Ifop SA<br>**Honorary Chairwoman of:** Mouvement des Entreprises de France (Medef)<br>**Chairwoman of:** Scientific and Assessment Board of Fondapol<br>**Director of:** BNP Paribas, Fives<br>**Member of:** Supervisory Board of Compagnie Générale des Établissements Michelin (SCA), Conseil Économique, Social et Environnemental (CESE), European Council for Foreign Relations | **Vice-Chairwoman of the Management Board of:** Ifop SA<br>**Honorary Chairwoman of:** Mouvement des Entreprises de France (Medef)<br>**Director of:** BNP Paribas, Coface SA, Fives<br>**Member of:** the Supervisory Board of Compagnie Générale des Établissements Michelin (SCA) | **Vice-Chairwoman of the Management Board of:** Ifop SA<br>**Chairwoman of:** Mouvement des Entreprises de France (Medef)<br>**Director of:** BNP Paribas, Coface SA<br>**Member of:** the Supervisory Board of Compagnie Générale des Établissements Michelin (SCA) |

*(1) At 31 December 2016.*
*(*) 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
*Nationality:* German
*Term start and end dates:* 14 May 2014 – 2017 AGM
*Date first elected to the Board:* 14 May 2014

*Number of BNP Paribas shares held*(1)*:* 1,000
*Office address:* Rauchstrasse 17-18,
10787 BERLIN,
GERMANY

**Education**
Doctorate in Economics from the Free University of Berlin
Master's degree in Political Science – Master's degree in Linguistics from the University of Tübingen

**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 Corporate Governance, Ethics, Nominations and CSR Committee

**Other**
Association Notre Europe – Jacques Delors Institute, member of the Board of directors
United Europe (Germany), member of the Board of directors
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)*

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

(1) *At 31 December 2016.*
(*) *Listed company.*

**Michel TILMANT**
**Principal function: Company manager**

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 in listed or unlisted companies outside the BNP Paribas Group, in France or abroad**
Foyer Group :
CapitalatWork, Foyer Group SA (Luxembourg), Chairman
Foyer SA (Luxembourg), Director
Groupe Lhoist SA (Belgium), Director
Sofina SA(*) (Belgium), Director
Strafin sprl (Belgium), manager
**Participation(1) in specialised committees of French or foreign companies**
BNP Paribas, member of the Internal Control, Risk Management and Compliance Committee
Groupe Lhoist SA, member of the Audit Committee
Sofina, member of the Nominations and Compensation 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)*

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| **Director of:** BNP Paribas CapitalatWork, Foyer Group SA (Luxembourg), Foyer SA (Luxembourg), Lhoist Group SA (Belgium), Sofina SA (Belgium)<br>**Member of:** the Board of directors of the Royal Automobile Club of Belgium (Belgium), Board of directors of Université Catholique de Louvain (Belgium)<br>**Manager:** Strafin sprl (Belgium)<br>**Senior advisor:** Cinven Ltd (United Kingdom) | **Director of:** 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>**Member of:** the Board of directors of the Royal Automobile Club of Belgium (Belgium), Board of directors of Université Catholique de Louvain (Belgium)<br>**Manager of:** Strafin sprl (Belgium)<br>**Senior advisor:** Cinven Ltd (United Kingdom) | **Director of:** BNP Paribas, CapitalatWork, Foyer Group SA (Luxembourg), Foyer Assurances SA (Luxembourg), Groupe Lhoist 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 of:** the 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) | **Chairman of:** Guardian Holdings Limited (Jersey), Guardian Acquisitions Limited (United Kingdom)<br>**Director of:** BNP Paribas Sofina SA (Belgium), Lhoist Group SA (Belgium), Foyer Assurances SA (Luxembourg), CapitalatWork Groupe Foyer: SA (Luxembourg)<br>**Member of:** the 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 2016.*
*(*) Listed company.*

2

**Emiel VAN BROEKHOVEN until 26 May 2016**
**Principal function: Economist, Honorary Professor at the University of Antwerp (Belgium)**

Date of birth: 30 April 1941
*Nationality:* Belgian
*Term start and end dates:* 15 May 2013 – 2016 AGM
*Date first elected to the Board:* 12 May 2010
(Emiel Van Broekhoven held the position of non-voting Director of BNP Paribas from 4 November 2009 to 11 May 2010)

*Number of BNP Paribas shares held*(1)*:* 577
*Office address:* Zand 7 – 9
B-2000 ANTWERP,
BELGIUM

**Education**
Graduate of Saint Ignatius Business College (Belgium)
Doctor of Economic Sciences, Oxford University (United Kingdom)

**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 Financial Statements Committee

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

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| **Director of:** BNP Paribas | **Director of:** BNP Paribas | **Director of:** BNP Paribas | **Director of:** BNP Paribas |

*(1) At 31 December 2016.*
*(*) Listed company.*

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

Date of birth: 9 April 1979
*Nationality:* French
*Term start and end dates:* elected by BNP Paribas technician employees for three years from 16 February 2015 – 15 February 2018
*Date first* elected to the Board: 16 February 2015

*Number of BNP Paribas shares held*(1) *:* 10
*Office address:* 22, 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 Financial Statements Committee

**2015:**
**Director of:** BNP Paribas

*(1) At 31 December 2016.*
*(*) Listed company.*

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

Date of birth: 30 July 1958
*Nationalities:* British and American
*Term start and end dates:* 14 May 2014 – 2017 AGM
*Date first elected to the Board:* 11 May 2011

*Number of BNP Paribas shares held*[(1)]*:* 1,000
Office address: 11-13 Worple Way
RICHMOND-UPON-THAMES,
SURREY TW10 6DG,
UNITED KINGDOM

**Education**
Graduate of the Institut d'Études Politiques de Paris
Master's Degree from the School of Advanced International Studies, Johns Hopkins University
BA, University of Virginia

**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**
Control Risks Group, Director
SCOR SE[(*)], Director

**Participation[(1)] in specialised committees of French or foreign companies**
BNP Paribas, member of the Financial Statements Committee
Control Risks Group, member of the Audit Committee and the Nominations and Remuneration Committee
SCOR SE, member of the Strategic Committee, Risk Committee, Nominations and Compensation Committee and Audit Committee

**Other[(1)]**
UK Department of Culture, Media and Sports, independent member and Chairwoman 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)*

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| **Director of:** BNP Paribas, Bilt Paper B.V. (Netherlands), SCOR SE<br>**Member of:** the Board of the Batten School of Leadership – University of Virginia (United States) | **Director of:** BNP Paribas, Bilt Paper B.V (Netherlands), SCOR SE, Ministry of Justice of Her Majesty's Government (United Kingdom)<br>**Member of:** the Board of the Batten School of Leadership – University of Virginia (United States) | **Director of:** BNP Paribas, CDC Group Plc, Ballarpur Industries Ltd (BILT), SCOR SE, Ministry of Justice of Her Majesty's Government (United Kingdom)<br>**Member of:** the Board of the Batten School of Leadership – University of Virginia (United States) | **Director of:** BNP Paribas, CDC Group Plc, Ballarpur International Graphic Paper Holdings<br>**Member of:** the Board of the Batten School of Leadership – University of Virginia (United States) |

*(1) At 31 December 2016.*
*(*) 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 | 2017 (AGM called to approve the 2016 financial statements) | 2018 (AGM called to approve the 2017 financial statements) | 2019 (AGM called to approve the 2018 financial statements) |
|---|---|---|---|
| J. Lemierre | ✓ | | |
| J-L. Bonnafé | | | ✓ |
| P.A. de Chalendar | | ✓ | |
| M. Cohen | ✓ | | |
| W. De Ploey | | | ✓ |
| M. Guillou | | | ✓ |
| D. Kessler | | ✓ | |
| J-F. Lepetit | ✓ | | |
| N. Misson | | ✓(i) | |
| L. Parisot | | ✓ | |
| D. Schwarzer | ✓ | | |
| M. Tilmant | | | ✓ |
| S. Verrier | | ✓(ii) | |
| F. Wicker-Miurin | ✓ | | |

*(i) Director elected by executive employees, having taken up office at the Board meeting of 16 February 2015, for a period of three years, i.e. until 15 February 2018.*

*(ii) Director elected by technician employees, having taken up office at the Board meeting of 16 February 2015, for a period of three years, i.e. until 15 February 2018.*

## OTHER CORPORATE OFFICER

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

| | |
|---|---|
| Date of birth: 2 August 1954<br>*Nationality:* French<br>*Number of BNP Paribas shares held*[(1)]*:* 51,674<br>*Office address:* 3, rue d'Antin<br>75002 PARIS,<br>FRANCE | **Offices[(1)] held in listed or unlisted companies of the BNP Paribas Group, in France or abroad**<br>BNP Paribas[(*)], Chief Operating Officer<br>Exane BNP Paribas, non-voting Director<br>Verner Investissements, Director |
| **Education**<br>Graduate of the École Polytechnique<br>Graduate of the École Nationale d'Administration<br>DEA in Economics | |

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

| 2015: | 2014: | 2013: | 2012: |
|---|---|---|---|
| **Chief Operating Officer of:**<br>BNP Paribas<br>**Director of:** Verner Investissements<br>**Non-voting Director of:** Exane BNP Paribas | **Chief Operating Officer of:**<br>BNP Paribas<br>**Director of:** BNP Paribas Personal Finance<br>**Permanent representative of:** Antin Participation 5 (SAS), BNP Paribas Securities Services (SCA)<br>**Non-voting Director of:** Exane BNP Paribas | **Chief Operating Officer of:**<br>BNP Paribas<br>**Director of:** BNP Paribas Personal Finance<br>**Permanent representative of:** Antin Participation 5 (SAS), BNP Paribas Securities Services (SCA) | **Chief Operating Officer of:**<br>BNP Paribas<br>**Director of:** BNP Paribas Personal Finance<br>**Permanent representative of:** Antin Participation 5 (SAS), BNP Paribas Securities Services (SCA) |

*(1) At 31 December 2016.*
*(*) Listed company.*

# REMUNERATION

## REMUNERATION AND BENEFITS AWARDED TO THE CORPORATE OFFICERS

During its meeting of 25 February 2016, reported on this date (https://invest.bnpparibas.com/information-reglementee) and presented during the Annual General Meeting on 26 May 2016, the Board of directors changed the structure of remuneration of executive corporate officers in respect of 2016, in compliance with the new European Banking Authority (EBA) guidelines, published on 21 December 2015. These rules relate to the methods for calculating the ratio between variable and fixed remuneration, as well as the deferral arrangement rules applicable to variable remuneration. The Board's aim was to maintain the overall economy of the remuneration of these corporate officers.

To comply with these new rules, the components of executive officers' remuneration were adjusted. Total annual variable remuneration and amounts awarded under the long-term incentive plan (LTIP) have been reduced and the payment periods extended for the annual variable compensation. Fixed remuneration has been increased in the same proportion.

As it was flagged in 2015, the Board of directors also changed the performance conditions applicable to the LTIP to more clearly factor in the potential outperformance of the BNP Paribas share relative to European peers and intrinsic share performance.

The total target remuneration awarded to executive corporate officers remains unchanged.

### Remuneration policy

The remuneration policy for executive corporate officers refers explicitly to the Afep-Medef Corporate Governance Code, and further derives its legitimacy from its desire to apply policies consistent with the BNP Paribas Responsibility Charter (see section 7.1). 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 intrinsic 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 elements (fixed, annual variable, multi-annual variable) are used in the overall assessment of the remuneration,
  - balance between the elements of remuneration, which must contribute to the general interest of the Bank and reflect best market practices,
  - 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.

The information below shows gross remuneration amounts awarded, before tax and social security deductions.

#### I. Remuneration of the Non-Executive Chairman

The Chairman's remuneration is set by the Board of directors in accordance with the method recommended by the Remuneration Committee, in line with the objectives set out above.

Mr Jean Lemierre did not receive any annual or multi-annual variable remuneration for his office as Chairman. The Chairman's remuneration is unchanged from 2015. Accordingly, the fixed remuneration paid to Jean Lemierre in his capacity as Chairman amounted to EUR 950,000 in 2016.

The absence of variable remuneration reflects the independence of the Chairman with respect to the Executive Management.

#### II. Remuneration of Executive Management

The remuneration awarded to the executive corporate officers is determined by the method recommended by the Remuneration Committee to the Board of directors, in accordance with the objectives stated above.

Remuneration includes:

- a fixed component;
- an annual variable component;
- a conditional long-term incentive plan (LTIP), which forms the multi-annual variable component.

The levels of these different elements are determined using market benchmarks based on surveys of executive remuneration established by specialised firms.

Remuneration takes into account the cap on variable remuneration provided for in article L.511-78 of the French Monetary and Financial Code, applicable specifically to banking and financial institutions. On the decision of the Shareholders' Annual General Meeting of 13 May 2015, this cap was set at twice the amount of the fixed remuneration for a period of three years.

### *1. Fixed salary*

The annual fixed remuneration of Mr Jean-Laurent Bonnafé in his capacity as Chief Executive Officer totalled EUR 1,562,000 in 2016.

The annual fixed remuneration of Mr Philippe Bordenave in his capacity as Chief Operating Officer totalled EUR 1,000,000 in 2016.



## SUMMARY TABLE OF FIXED REMUNERATION OF THE EXECUTIVE MANAGEMENT

| *In Euros* | Fixed remuneration paid in 2016 | Comments |
|---|---|---|
| **Jean-Laurent BONNAFÉ** | 1,562,000 | Most recent increase in fixed remuneration dated 25 February 2016[(1)] effective as of 1 January 2016 |
| **Philippe BORDENAVE** | 1,000,000 | Most recent increase in fixed remuneration dated 25 February 2016[(1)] effective as of 1 January 2016 |

*(1) See explanation in the sidebar on page 43.*

### *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 the members of the Executive Management is determined from target remuneration equal to 100% of their annual fixed remuneration for Jean-Laurent Bonnafé and Philippe Bordenave.

It varies in accordance with criteria representative of the Group's results and the qualitative assessment of the Board of directors.

Yearly variable compensation paid in 2017 in respect of 2016 includes "penalty" and "clawback" clauses, 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 point 3 below).

#### Group performance criteria (quantitative)

Criteria linked to the performance of the Group apply:

- to 75% of target variable remuneration;
- 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 Bank's strategic guidelines, particularly its transformation plan, the Leadership for Change initiative and CSR, in the general context of the year under consideration.

The Board of directors determined that Jean-Laurent Bonnafé successfully achieved the following measures:

- performance of the 2014-2016 Strategic Plan;
- review of adherence to compliance rules, particularly in relations with customers;
- considerable personal involvement in rolling out the Code of conduct to the Group's 200,000 staff;
- his decisive role in the Leadership for Change programme regarding 500 leaders in the Bank to implement the transformation process;
- fulfilment of undertakings in the 12 commitments of Group CSR Policy. Particular achievements include the 2016 "Top 10 Diversity Recruiters" Grand Prix awarded to the Group in the large corporates category, increased funding of renewable energies, BNP Paribas' contribution to achieving the UN Sustainable Development Goals (SDG) (the stability of loans to companies contributing strictly to the achievement of UN SDGs in the period 2016/2018 and the creation of funds and indices to help achieve these SDGs);

and for Philippe Bordenave, in line with the outcomes assessed for Jean-Laurent Bonnafé:

- performance of the 2014-2016 Strategic Plan, especially the financial, cost control and technological innovation aspects;
- fulfilment of the commitments of Group CSR Policy;
- and his personal involvement in the reviews carried out by the Single Supervisory Mechanism (SSM) teams, notably the EBA and GSIB stress tests.

## SUMMARY OF CRITERIA FOR SETTING ANNUAL VARIABLE REMUNERATION

| Criteria applicable | % of fixed remuneration | Jean-Laurent BONNAFÉ<br>Philippe BORDENAVE |
|---|---|---|
| QUANTITATIVE<br>Criteria linked to the performance of the Group | 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 its transformation plan, the Leadership for Change initiative and 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 for each of the corporate officers is capped at 120% of their fixed remuneration.

### Assessment of the achievement of the targets set for 2016

At its meeting of 6 February 2017, the Board of directors assessed the achievement of the objectives set.

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 2016 at:

- EUR 1,651,000 for Jean-Laurent Bonnafé (representing 106% of his target variable remuneration);
- EUR 1,057,000 for Philippe Bordenave (representing 106% 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 | | Variable remuneration set by the Board | Reminder of target variable remuneration |
|---|---|---|---|---|---|---|
| | | | Group EPS(2) | Group Gross operating income(3) | | |
| Jean-Laurent BONNAFÉ | Weighting(1) | 25.00% | 37.50% | 37.50% | | |
| | Measurement(1) | 25.00% | 43.80% | 36.95% | **1,651,000** | 1,562,000 |
| Philippe BORDENAVE | Weighting(1) | 25.00% | 37.50% | 37.50% | | |
| | Measurement(1) | 25.00% | 43.80% | 36.95% | **1,057,000** | 1,000,000 |

*(1) As a percentage of target variable remuneration.*
*(2) Change in earnings per share (EPS) for the year compared with 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 2016, 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 March 2017, less Directors' fees received within the Group in 2016 for entities other than BNP Paribas SA; and half in March 2018, indexed to the performance of the BNP Paribas share;
- the deferred portion of the variable remuneration will be paid in fifths starting in 2018. 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 2016 will be made in March 2023.

*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 2016; accordingly, deferred remuneration payable in 2017 in respect of previous plans will be paid out.

## *3. Conditional Long-Term Incentive Plan (LTIP) covering a five-year period*

### Summary of the LTIP

To align the interests of executive corporate officers with the medium to long-term performance of the BNP Paribas Group without compromising risk management, the Board introduced an LTIP since 2011.

During its meeting of 25 February 2016, the Board of directors decided to change the current LTIP, whose term remains five years. These new conditions will be applied for the LTIPs awarded as of 2017, in respect of 2016. The two conditions specific to the LTIP, one rewarding an increase in the intrinsic value of the share, and the second - new - potential outperformance relative to peers, are assigned equal weighting in order to measure their separate effects.

The LTIP awarded in 2017 includes "penalty" and "clawback" clauses, just as the 2016 LTIP. Accordingly, should the beneficiary adopt a behaviour or perform acts which do not comply with BNP Paribas' requirements in terms of the defined conduct, ethics and behaviour applicable to Group employees, the Board of directors may decide not to proceed with the payment of the set amount whether the employee still works for the Company or not and 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. 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 review by the Board of directors.

The Board of directors reserves the right to reduce awards under the LTIP.

### Detailed description of the LTIP

The LTIP, which amount is equal 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 its potential outperformance relative to peers.

*First half of the target amount: intrinsic share performance:*

Under this condition, no payment shall be made for the 50% of the target 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 until the end of a period of five years from the award date(1).

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.

The table below shows the coefficients applied depending on the increase in the share price at the end of the five-year period.

| Change in the share price over the five-year period compared with the initial price | Factor applied to the first half of the target amount |
|---|---|
| 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% |

Thus, the first half of the target 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 target remuneration effectively earned will be paid at the end of the five-year period.

*Second half of the target amount: 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 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%.

*(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.*

| Performance of the BNP Paribas share compared to the EURO STOXX Banks index | Effect on the second half of the target 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 second half of the target remuneration effectively earned will be paid at the end of the five-year period.

### Ceiling

**1.** On award

According to the provisions of article L.511-78, paragraph 1 of the French Monetary and Financial Code, the total variable remuneration awarded may not exceed the amount of fixed remuneration. Pursuant to article L.511-78, paragraph 2, the total variable remuneration cap may however be increased to double the amount of fixed remuneration by a decision of the credit institution's Annual General Meeting.

On the decision of the Shareholders' Annual General Meeting of 13 May 2015, this cap was set at twice the amount of fixed remuneration for a period of three years.

Pursuant to article L.511-79 of the French Monetary and Financial Code, a discount rate of no more than 25% of total variable remuneration may be applied inasmuch as the payment is made in the form of instruments deferred for at least 5 years.

After application of the discount rate, the ratio between total variable remuneration and fixed remuneration is **1.84** for the Chief Executive Officer and the Chief Operating Officer in respect of year 2016.

**2.** On payment

The first half of the target amount is capped at 175% in the event of an increase of 75% or higher in the BNP Paribas share price over the five-year period. The second half of the target amount is capped at the award amount.

Thus, payments under the LTIP may not exceed 137.5% of their award value.

### LTIP amounts awarded in respect of 2016

The Board of directors, on the recommendation of the Remuneration Committee, set the amounts awarded under the LTIP in respect of 2016. To the extent that the ceiling of total variable compensation, indicated above, is not exceeded with, the amount awarded under the 2016 LTIP is equal to the amount of the target annual variable remuneration in respect of 2016.

The amounts awarded, measured at fair value, are as follows:

| LTIP awarded on 6 February 2017 *(in euros)* | Total awarded(*) | Fair value of the amount awarded(**) |
|---|---|---|
| Jean-Laurent BONNAFÉ | 1,562,000 | 775,767 |
| Philippe BORDENAVE | 1,000,000 | 496,650 |

*(*) See explanation above.*
*(**) Fair value in accordance with IFRS of 49.67% of the amount awarded. The calculation is carried out by an independent expert.*

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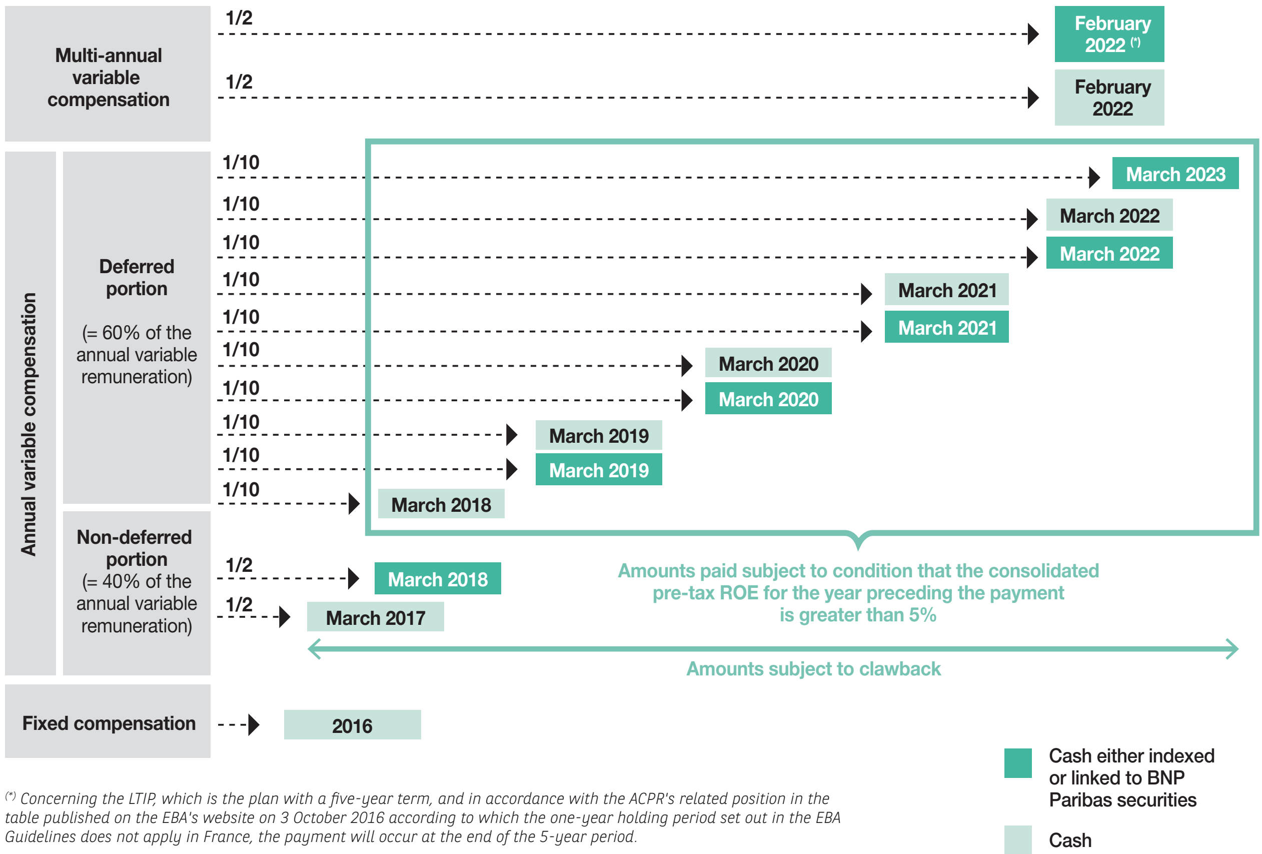
### 4. Summary of the remuneration of sitting executive corporate officers in place as at 31 December 2016

1. Breakdown over time of payment of remuneration in respect of 2016




(*) Concerning the LTIP, which is the plan with a five-year term, and in accordance with the ACPR's related position in the table published on the EBA's website on 3 October 2016 according to which the one-year holding period set out in the EBA Guidelines does not apply in France, the payment will occur at the end of the 5-year period.

2. Total remuneration awarded in respect of 2016 and comparison with 2015

| *In Euros* | Jean-Laurent BONNAFÉ | | Philippe BORDENAVE | |
|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 |
| Fixed remuneration amount | 1,250,000 | 1,562,000 | 800,000 | 1,000,000 |
| Annual variable remuneration awarded | 1,950,000 | 1,651,000 | 1,250,000 | 1,057,000 |
| **Sub-total** | **3,200,000** | **3,213,000** | **2,050,000** | **2,057,000** |
| LTIP amount (fair value)(*) | 339,885 | 775,767 | 217,875 | 496,650 |
| **TOTAL** | **3,539,885** | **3,988,767** | **2,267,875** | **2,553,650** |
| Variable/Fixed ratio(**) | 1.8 | 1.6 | 1.8 | 1.6 |

(*) *This is an estimated value on the award date. The final amount will be known on the date of payment.*

(**) *The ratio is calculated as a fair value to enable comparison with the ratio for the prior year. Nonetheless, since the publication of the EBA's Guidelines, as of 2016 the ratio between variable and fixed remuneration must be calculated based on the notional value and no longer on the fair value. See 3.1 above for the ratio expressed as a notional value.*

## III. Stock option or share purchase subscription plans: none

Since 2009, the Group's corporate officers have not been awarded any subscription or purchase options under their terms of office.

## IV. Performance shares: none

The Group's corporate officers do not benefit from any performance or free shares.

## V. Post-employment benefits

### 1. Payments and benefits due or likely to become due upon termination or change of duties

Jean Lemierre, who joined BNP Paribas in 2008, waived his employment contract, following the recommendations of the Afep-Medef Code. This contract ended on 30 November 2014. As a result, he loses, as of that date, the benefits awarded to him as an employee of BNP Paribas. He does not benefit from any contractual remuneration in respect of the termination of his term of office.

He will, however, in his capacity as a corporate officer, continue to benefit from collective death or disability, and health insurance, and a defined-contribution pension plan.

Mr Jean-Laurent Bonnafé, who joined BNP Paribas in 1993 and was appointed Chief Executive Officer on 1 December 2011, agreed to waive his employment contract (effective 1 July 2012) in accordance with the recommendations of the Afep-Medef Corporate Governance Code.

As a result of this decision, apart from the death and disability, health insurance and defined-contribution pension provided under Group plans, he lost the benefits of the collective bargaining agreement and Company agreements that he had enjoyed for almost 20 years as an employee and corporate officer (and particularly his rights as regards the termination of his employment contract).

On 25 February 2016, the termination agreement dated 25 January 2013 covering severance payments which would have been payable to Jean-Laurent Bonnafé on termination of his position as Chief Executive Officer was ended.

Mr Philippe Bordenave does not benefit from any contractual remuneration in respect of the termination of his term of office.

### *2. Retirement bonuses*

Mr Jean-Laurent Bonnafé will receive no retirement bonus when he retires.

Chief Operating Officer Philippe Bordenave is entitled to the standard retirement bonus benefits awarded to all BNP Paribas SA employees pursuant to his initial employment contract.

No commitment has been made in respect of Mr Jean Lemierre.

### *3. 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 2016 was EUR 425 per beneficiary for the whole year.

### *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. An annual employer contribution of EUR 1,460, recognised as a benefit in kind, was paid as part of this scheme in respect of 2016.

The total amount of contributions paid by BNP Paribas for welfare benefit plans and health coverage amounted to EUR 3,074.

### *5. Non-compete agreement*

A non-compete agreement was signed with Mr. Jean-Laurent Bonnafé on 25 February 2016 to protect the interests of the Bank and its shareholders if he leaves BNP Paribas.

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.

The parties agreed that Mr. Jean-Laurent Bonnafé would receive compensation 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. Compensation would be paid monthly in twelfths.

The provisions of the non-compete agreement are consistent with the recommendations of the Afep-Medef Code.

## VI. Holding of shares resulting from the exercise of stock options

The Board of directors has decided that the minimum number of shares that Mr Jean-Laurent Bonnafé shall be required to hold for the duration of his term of office shall be 80,000. Mr Jean-Laurent Bonnafé has complied with this obligation, through the direct ownership of shares or units in the Company Savings Plan fully invested in BNP Paribas shares. For Mr Jean Lemierre, the number of shares has been set at 10,000, with compliance required no later than 1 June 2016, *i.e.* within 18 months of his appointment as Chairman. At 31 December 2016, Mr Jean Lemierre held 25,398 BNP Paribas shares.

In consideration of his remuneration, the Board of directors has set the minimum quantity of BNP Paribas shares that must be held by Mr Philippe Bordenave for the duration of his term of office. The minimum has been set at 30,000 shares. This obligation had to be complied with no later than 1 December 2016. At 31 December 2016, Mr Philippe Bordenave held 51,674 BNP Paribas shares.

## VII. Remuneration and benefits awarded to employee-elected Directors

Total remuneration paid in 2016 to Directors representing employees amounted to EUR 77,471 (EUR 76,660 in 2015), excluding Directors' fees related to their office. The total amount of Directors' fees paid in 2016 to Directors representing employees was EUR 176,588 (EUR 117,557 in 2015). 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 2016 on behalf of the Directors representing employees was EUR 1,388 (EUR 1,366 in 2015).

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 into this plan by BNP Paribas in 2016 on behalf of these corporate officers was EUR 670 (EUR 672 in 2015). They are also entitled to top-up banking industry pensions under the industry-wide agreement that took effect on 1 January 1994.

## VIII. Loans, advances and guarantees granted to the Group's corporate officers

At 31 December 2016, total outstanding loans granted directly or indirectly to the Group's corporate officers amounted to EUR 1,197,628 (EUR 1,045,637 at 31 December 2015). 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.



## IX. 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***

| *In Euros* | | 2015<br>Total awarded | 2016<br>Total awarded |
|---|---|---|---|
| **Jean LEMIERRE**<br>**Chairman of the Board of directors** | Fixed remuneration | 950,000 | 950,000 |
| | Annual variable remuneration | None | None |
| | Multi-annual variable remuneration(1) | 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 | 47,371 | 58,406 |
| | Benefits in kind(2) | 3,623 | 3,632 |
| | **TOTAL** | **1,000,994** | **1,012,038** |
| **Jean-Laurent BONNAFÉ**<br>**Chief Executive Officer** | Fixed remuneration | 1,250,000 | 1,562,000 |
| | Annual variable remuneration | 1,950,000 | 1,651,000 |
| | Multi-annual variable remuneration(1) | 339,885 | 775,767 |
| | Value of stock options granted during the year | None | None |
| | Value of performance shares awarded during the year | None | None |
| | **Sub-total** | **3,539,885** | **3,988,767** |
| | Extraordinary remuneration | None | None |
| | Directors' fees | 47,371 | 58,406 |
| | Benefits in kind(2) | 4,568 | 4,626 |
| | **TOTAL** | **3,591,824** | **4,051,799** |
| **Philippe BORDENAVE**<br>**Chief Operating Officer** | Fixed remuneration | 800,000 | 1,000,000 |
| | Annual variable remuneration | 1,250,000 | 1,057,000 |
| | Multi-annual variable remuneration(1) | 217,875 | 496,650 |
| | Value of stock options granted during the year | None | None |
| | Value of performance shares awarded during the year | None | None |
| | **Sub-total** | **2,267,875** | **2,553,650** |
| | Extraordinary remuneration | None | None |
| | Directors' fees | None | None |
| | Benefits in kind(2) | 6,631 | 5,308 |
| | **TOTAL** | **2,274,506** | **2,558,958** |

*(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 2016**, including Directors' fees and benefits in kind for each Group's corporate officer.

### *Summary table of the remuneration paid to each executive corporate officer*

Note: in 2015, the amounts paid were significantly reduced by the impact in 2014 of the extraordinary item related to the comprehensive settlement with the US authorities.

| *In Euros* | | 2015 Total paid | 2016 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 | 47,371 | 58,406 |
| | Benefits in kind(1) | 3,623 | 3,632 |
| | **TOTAL** | **1,000,994** | **1,012,038** |
| **Jean-Laurent BONNAFÉ Chief Executive Officer** | Fixed remuneration | 1,250,000 | 1,562,000 |
| | Annual variable remuneration | 507,834 | 1,653,190 |
| | *of which annual variable remuneration in respect of 2015* | *None* | *803,649* |
| | *of which annual variable remuneration in respect of 2014* | *507,834* | *226,711* |
| | *of which annual variable remuneration in respect of 2013* | *0(2)* | *281,302* |
| | *of which annual variable remuneration in respect of 2012* | *0(2)* | *341,528* |
| | *of which annual variable remuneration in respect of 2011* | 0(2) | None |
| | Multi-annual variable remuneration | None | 0(3) |
| | Extraordinary remuneration | None | None |
| | Directors' fees | 47,371 | 58,406 |
| | Benefits in kind(1) | 4,568 | 4,626 |
| | **TOTAL** | **1,809,773** | **3,278,222** |
| **Philippe BORDENAVE Chief Operating Officer** | Fixed remuneration | 800,000 | 1,000,000 |
| | Annual variable remuneration(2) | 322,121 | 931,859 |
| | *of which annual variable remuneration in respect of 2015* | *None* | *515,178* |
| | *of which annual variable remuneration in respect of 2014* | *322,121* | *97,594* |
| | *of which annual variable remuneration in respect of 2013* | *0(2)* | *144,196* |
| | *of which annual variable remuneration in respect of 2012* | *0(2)* | *174,891* |
| | *of which annual variable remuneration in respect of 2011* | *None* | *None* |
| | Multi-annual variable remuneration | None | None |
| | Extraordinary remuneration | None | None |
| | Directors' fees | None | None |
| | Benefits in kind(1) | 6,631 | 5,308 |
| | **TOTAL** | **1,128,752** | **1,937,167** |

*(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 amounts payable in 2015 for 2011, 2012 and 2013 were subject to the condition of 2014 pre-tax ROE being above 5%; as this condition was not met, the corresponding payments were cancelled. The amount paid in 2016 in respect of 2015 covers the non-deferred portion of the annual variable remuneration awarded, and is not subject to performance conditions.*

*(3) The performance conditions relating to the plan awarded in 2011 were not met.*

*Summary table of the remuneration paid in respect of their prior activities as employees[(1)]*

| *In Euros* | | 2015 Total paid | 2016 Total paid |
|---|---|---|---|
| Jean LEMIERRE Chairman of the Board of directors | Fixed remuneration | None | None |
| | Annual variable remuneration | 270,717 | 45,752 |
| | *of which annual variable remuneration in respect of 2015* | *None* | *None* |
| | *of which annual variable remuneration in respect of 2014* | *188,000* | *None* |
| | *of which annual variable remuneration in respect of 2013* | *19,325* | *17,924* |
| | *of which annual variable remuneration in respect of 2012* | *30,314* | *27,828* |
| | *of which annual variable remuneration in respect of 2011* | *33,078* | *None* |
| | Multi-annual variable remuneration | None | 166,950[(2)] |
| | Extraordinary remuneration | None | None |
| | Directors' fees | None | None |
| | Benefits in kind | None | None |
| | **TOTAL** | **270,717** | **212,702** |

*(1) Only Jean Lemierre received remuneration in 2016 in respect of previous activity as an employee.*
*(2) This amount corresponds to payment under a Group loyalty plan awarded in 2013.*
*The average tax and social contribution rate on these remunerations was 46% in 2016 (35% in 2015).*

### *Directors' fees and other remuneration received by non-executive corporate officers*

Except for Directors elected by employees (see section VII: Remuneration and benefits awarded to employee-elected Directors), no other remuneration was paid to corporate officers.

| Directors' fees received by non-executive corporate officers | Amounts paid in 2015 | Amounts paid in 2016 |
|---|---|---|
| DE CHALENDAR Pierre André | 73,860 | 105,215 |
| COHEN Monique | 66,706 | 84,024 |
| DE PLOEY Wouter[(1)] | None | 28,781 |
| GUILLOU Marion | 75,987 | 112,489 |
| KESSLER Denis | 78,887 | 91,298 |
| LEPETIT Jean-François | 89,908 | 123,559 |
| MISSON Nicole | 68,253 | 101,103 |
| MOUCHARD Thierry[(2)] | 9,562 | None |
| PARISOT Laurence | 71,540 | 134,628 |
| PÉBEREAU Michel[(3)] | 43,240 | None |
| SCHWARZER Daniela | 49,305 | 90,982 |
| TILMANT Michel | 73,667 | 101,103 |
| VAN BROEKHOVEN Emiel[(4)] | 69,800 | 46,387 |
| VERRIER Sandrine[(5)] | 39,742 | 75,485 |
| WICKER-MIURIN Fields | 69,800 | 88,136 |
| **TOTAL** | **880,257** | **1,183,190** |

*(1) Term of office beginning 26 May 2016.*
*(2) Term of office ended 15 February 2015.*
*(3) Term of office ended 13 May 2015.*
*(4) Term of office ended 26 May 2016.*
*(5) Term of office beginning 16 February 2015.*

*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 | Plan 7 dated 06/04/2009 | 12,381 | 35.11 |
| Jean-Laurent BONNAFÉ | | | None |
| Philippe BORDENAVE | | | None |

*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 2 dated 4 March 2011 | 835 | See below, table "History of performance share awards" |
| Jean-Laurent BONNAFÉ | | None | |
| Philippe BORDENAVE | Plan 2 dated 4 March 2011 | 1,555 | |

*History of share purchase or subscription option awards*

| | Plan 6 | Plan 7 | Plan 8 | Plan 9 |
|---|---|---|---|---|
| **Date of Annual General Meeting** | 18/05/2005 | 21/05/2008 | 21/05/2008 | 21/05/2008 |
| **Date of Board of directors' meeting** | 18/04/2008 | 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:** | 4,085,347 | 2,437,234 | 2,423,700 | 2,296,820 |
| **corporate officers** | 102,529 | 56,395 | 38,200 | 28,640 |
| Jean LEMIERRE | - | 15,381 | 13,300 | 9,980 |
| Jean-Laurent BONNAFÉ | 61,517 | - | - | - |
| Philippe BORDENAVE | 41,012 | 41,014 | 24,900 | 18,660 |
| **Starting point for exercising options** | 18/04/2012 | 08/04/2013 | 05/03/2014 | 04/03/2015 |
| **Expiration date** | 15/04/2016 | 05/04/2017 | 02/03/2018 | 04/03/2019 |
| **Subscription or purchase price(1)** | 64.47 | 35.11 | 51.20 | 56.45 |
| ***Adjusted price at 31/12/2016(2)*** | None | None | None | 67.74 |
| ***Methods of exercise (when the plan includes several tranches)*** | *30% of the grant is conditional and divided into three 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.* | *60% of the grant is conditional and divided into four 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 four 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 At 31/12/2016** | - | 15,381 | - | - |
| **Cumulative number of lapsed or cancelled share subscription or purchase options** | 102,529 | - | - | - |
| **Remaining share subscription or purchase options at close of year (31/12/2016)** | - | 41,014 | 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 one-quarter of the stock subscription or purchase options awarded.*

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### *History of performance share awards*

| Performance share information | Plan 2 | Plan 3 |
|---|---|---|
| **Date of Annual General Meeting** | 21/05/2008 | 11/05/2011 |
| **Date of Board of directors meeting** | 04/03/2011 | 06/03/2012 |
| **Total number of shares awarded, including the number awarded to:** | 1,040,450 | 1,921,935 |
| **Corporate officers** | 7,170 | 7,000 |
| Jean LEMIERRE | 2,505 | 7,000 |
| Jean-Laurent BONNAFÉ | - | - |
| Philippe BORDENAVE | 4,665 | - |
| **Vesting date** | 04/03/2014 | 09/03/2015 |
| **End date of holding period** | 04/03/2016 | 09/03/2017 |
| **Performance conditions** | yes(1) | yes(2) |
| **Number of shares vested at 31/12/2016** | 2,390 | 7,000 |
| **Cumulative number of lapsed and cancelled shares(3)** | 4,780 | - |
| **Remaining performance shares at close of year (31/12/2016)** | - | - |

*(1) This performance condition is based on growth in the Group's earnings per share (and is measured either on a yearly basis if the Group's earnings per share rise 5% or more as compared to the preceding year or on a cumulative basis at the end of the three-year vesting period).*
*(2) This performance condition is based on the relative performance of the BNP Paribas share in relation to the EURO STOXX Banks index of European banks.*
*(3) The cancellation of 4,780 shares in Plan 2 is due to the non-achievement of the performance condition in 2 of the 3 initial tranches of the plan.*

### *Valuation(1) of multi-annual variable remuneration plans (LTIP) at the award date and at 31 December 2016*

| Grant date of the plan | | 03/05/2012 | | 02/05/2013 | | 29/04/2014 | | 04/02/2015 | | 04/02/2016 | 06/02/2017(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan maturity date of the plan | | 03/05/2017 | | 02/05/2018 | | 29/04/2019 | | 04/02/2020 | | 04/02/2021 | 06/02/2022 |
| Valuation(1) | At plan award date | At 31/12/2016 | At plan award date | At 31/12/2016 | At plan award date | At 31/12/2016 | At plan award date | At 31/12/2016 | At plan award date | At 31/12/2016 | At plan award date |
| Jean LEMIERRE | - | - | - | - | - | - | - | - | - | - | - |
| Jean-Laurent BONNAFÉ | 311,323 | 1,347,175 | 560,112 | 1,581,216 | 449,668 | 665,654 | 331,200 | 597,720 | 339,885 | 792,480 | 775,767 |
| Philippe BORDENAVE | 193,561 | 837,587 | 286,724 | 809,432 | 230,526 | 341,253 | 168,360 | 303,841 | 217,875 | 508,000 | 496,650 |
| **TOTAL** | **504,884** | **2,184,763** | **846,836** | **2,390,648** | **680,194** | **1,006,907** | **499,560** | **901,561** | **557,760** | **1,300,480** | **1,272,417** |

*(1) Valued using the method adopted for the consolidated financial statements.*
*(2) The Board of directors changed the performance conditions applicable to the 2017 LTIP to clearly separate the impact of the potential outperformance of the BNP Paribas share relative to European peers and intrinsic share performance (see §3. Long-term incentive plan).*

### *Assumptions used to value the LTIP in accordance with the method adopted for the consolidated financial statements*

| Valuation at grant date | | |
|---|---|---|
| Grant date of the plan | 04/02/2016 | 06/02/2017 |
| Opening BNP Paribas share price | EUR 39.98 | EUR 61.50 |
| Opening level of the EURO STOXX Banks index | 96.36 | 120.80 |
| Zero-coupon rate | Euribor | Euribor |
| Volatility of the BNP Paribas share price | 26.64% | 26.51% |
| Volatility of the EURO STOXX Banks index | 26.07% | 26.29% |
| Correlation between the BNP Paribas share and the EURO STOXX Banks index | 88.00% | 87.78% |
| Financial model used | Monte-Carlo | Monte-Carlo |
| **Fair value of the plan at award date(*)** | **17.43%** | **49.67%** |

*(*) As a percentage of the amount awarded.*

| | Initial share value upon their award[1] | Fair value at award date | Valuation at closing date 31/12/2015 | Valuation at closing date 31/12/2016 |
|---|---|---|---|---|
| Closing price of BNP Paribas shares | | | EUR 52.23 | EUR 60.55 |
| Closing level of the EURO STOXX Banks index | | | 127.87 | 117.67 |
| Zero-coupon rate | | | Euribor | Euribor |
| Volatility of the BNP Paribas share price | | | 25.02% | 28.36% |
| Volatility of the EURO STOXX Banks index | | | 24.63% | 29.20% |
| Correlation between the BNP Paribas share and the EURO STOXX Banks index | | | 86.00% | 88.00% |
| Financial model used | | | Monte-Carlo | Monte-Carlo |
| **Fair value of the plan awarded on 3 May 2012** | **EUR 37.39** | **26.89%[2]** | **93.21%[2]** | **116.36%[2]** |
| **Fair value of the plan awarded on 2 May 2013** | **EUR 42.15** | **33.34%[2]** | **57.73%[2]** | **94.12%[2]** |
| **Fair value of the plan awarded on 29 April 2014** | **EUR 55.11** | **28.46%[2]** | **25.47%[2]** | **42.13%[2]** |
| **Fair value of the plan awarded on 4 February 2015** | **EUR 51.76** | **27.60%[2]** | **33.70%[2]** | **49.81%[2]** |
| **Fair value of the plan awarded on 4 February 2016** | **EUR 54.07** | **17.43%[2]** | **N/A** | **40.64%[2]** |

*(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 grant date, and the opening BNP Paribas share price on the grant date.*
*(2) As a percentage of the amount awarded.*

### *Detailed contractual situation of the Group's corporate officers*

| Executive corporate officers as at 31 December 2016 | Employment contract | | Top-up pension plan | | Payments and benefits due or likely to become due upon termination or change of duties | | Payment in relation to a non-compete clause | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| **Jean LEMIERRE**<br>Chairman of the Board of directors | | ✓[1] | ✓[2] | | | ✓ | | ✓ |
| **Jean-Laurent BONNAFÉ**<br>Chief Executive Officer | | ✓[3] | ✓[2] | | | ✓ | ✓[4] | |
| **Philippe BORDENAVE**<br>Chief Operating Officer | ✓[5] | | ✓[2] | | | ✓ | | ✓ |

*(1) Employment contract waived effective 1 December 2014.*
*(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) Employment contract waived effective 1 July 2012.*
*(4) See section V.1 Payments and benefits due or likely to become due upon termination or change of duties.*
*(5) Employment contract suspended.*

## CONSULTATION WITH THE SHAREHOLDERS CONCERNING THE INDIVIDUAL REMUNERATION OF EXECUTIVE CORPORATE OFFICERS PURSUANT TO THE AFEP-MEDEF CODE

The following table gives the components of remuneration due or awarded in respect of 2016 to each corporate officer, subject to a vote of the shareholders on a consultative basis:

### *Items of remuneration due or awarded to Jean Lemierre for the year, subject to a consultative vote by shareholders*

*(amounts in euros)*

| | 2016 | 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 annual variable remuneration. The absence of variable remuneration reflects the independence of the Chairman with respect to the Executive Management. |
| Variable compensation multi-annual | 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 | 58,406 | 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 | None | Mr Jean Lemierre is not entitled to any supplemental defined-benefit pension plans. |
| Top-up pension plan defined-contribution | 425 | Mr Jean Lemierre belongs to 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 for Mr Jean Lemierre was EUR 425 in 2016. |
| Collective welfare benefit and healthcare plan | 1,537 | Mr Jean Lemierre belongs to 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** | **1,014,100** | |

*Items of remuneration due or awarded to Mr Jean-Laurent BONNAFÉ for the year subject to a consultative vote by shareholders* (amounts in euros)

| | 2016 | 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. His fixed remuneration was increased by the Board on 25 February 2016 (see sidebar and explanations on p. 43) |
| Annual variable remuneration awarded in respect of the year | 1,651,000 | 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 the quantitative and qualitative criteria, and the evolution of the Group's results, the Board of directors set annual variable remuneration at EUR 1,651,000 i.e. 106% of the target;<br>■ half of the non-deferred portion of the variable remuneration will be paid in March 2017, less Directors' fees received within the Group in 2016 for entities other than BNP Paribas SA, and half in March 2018, indexed to the performance of the BNP Paribas share;<br>■ the deferred portion of the variable remuneration will be paid in fifths as of 2018. 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 condition that the ROE before tax of the Group for the year preceding the payment is greater than 5%. |
| Conditional long-term incentive plan (payment deferred in full for five years) | 775,767 | The fair value of the LTIP awarded to Jean-Laurent Bonnafé on 6 February 2017 in respect of year 2016 is EUR 775,767.<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 | 58,406 | 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 year | 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 and severance payments(*) | None | |
| Payment in relation to a noncompete clause | None | Under the non-compete clause signed on 25 February 2016, and subject to the conditions detailed below, Jean-Laurent Bonnafé would receive compensation 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. Compensation would be paid monthly in twelfths.<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 | 425 | 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 was EUR 425 in 2016. |
| Collective welfare benefit and healthcare plan | 1,537 | 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 | 4,626 | 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** | **4,053,861** | |

*(*) On 25 February 2016, the termination agreement with Jean-Laurent Bonnafé was ended.*

### *Items of remuneration due or awarded to Mr Philippe BORDENAVE for the year subject to a consultative vote by shareholders* *(amounts in euros)*

| | 2016 | Comments |
|---|---|---|
| **Philippe BORDENAVE – Chief Operating Officer** | | |
| Fixed remuneration for the year | 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 | 1,057,000 | 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 annual variable remuneration at EUR 1,057,000 i.e. 106% of the target;<br>■ half of the non-deferred portion of the variable remuneration will be paid in March 2017, less Directors' fees received within the Group in 2017 for entities other than BNP Paribas SA, and half in March 2018, indexed to the performance of the BNP Paribas share;<br>■ the deferred portion of the variable remuneration will be paid in fifths as of 2018. 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 condition that the ROE before tax of the Group for the year preceding the payment is greater than 5%. |
| Conditional long-term incentive plan (payment deferred in full for five years) | 496,650 | The fair value of the LTIP awarded to Mr Philippe Bordenave on 6 February 2017 in respect of year 2016 is EUR 496,650.<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 - new - 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 year | 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 and 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 | 425 | 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 to Mr Philippe Bordenave was EUR 425 in 2016. |
| Collective welfare benefit and healthcare plan | 1,537 | 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 | 5,308 | 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** | **2,561,020** | |

## SUMMARY OF TRANSACTIONS REPORTED ON BNP PARIBAS STOCK

The following table lists the transactions on BNP Paribas stock carried out in 2016 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)* |
|---|---|---|---|---|---|
| **LEMIERRE Jean**<br>Chairman of the Board of directors of BNP Paribas | Personally | BNP Paribas shares | Purchase of 12,381 shares | 2 | 434,696.91 |
| **BONNAFÉ Jean-Laurent**<br>Chief Executive Officer of BNP Paribas | Personally | BNP Paribas shares | Purchase of 451 shares | 1 | 19,866.00 |
| **DE CHALENDAR Pierre André** | Personally | BNP Paribas shares | Purchase of 2,000 shares | 1 | 74,143.20 |
| **DE PLOEY Wouter** | Personally | BNP Paribas shares | Purchase of 500 shares | 1 | 22,393.45 |
| **GUILLOU Marion** | Personally | BNP Paribas shares | Purchase of 400 shares | 1 | 16,432.00 |
| **PARISOT Laurence** | Personally | BNP Paribas shares | Purchase of 500 shares | 1 | 23,270.00 |
| **SCHWARZER Daniela** | Personally | BNP Paribas shares | Purchase of 800 shares | 2 | 37,700.00 |
| **TILMANT Michel** | Personally | BNP Paribas shares | Purchase of 500 shares | 1 | 20,040.00 |
| **WICKER-MIURIN Fields** | Personally | BNP Paribas shares | Purchase of 861 shares | 3 | 39,619.42 |

## OTHER INFORMATION

### INFORMATION ON SHARE SUBSCRIPTION OR PURCHASE OPTION PLANS AND PERFORMANCE SHARES

The following table lists for 2016 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 2016.

| | Number of options granted/exercised | Weighted average exercise price *(in euros)* | Date of grant |
|---|---|---|---|
| **Options granted in 2016**<br>(Sum of ten largest grants) | - | - | - |
| **Options exercised in 2016**<br>(Ten employees) | 60,990<br>46,400<br>2,250 | 35.11<br>51.20<br>56.45 | 06/04/2009<br>05/03/2010<br>04/03/2011 |

| | Number of shares granted/transferred | Date of grant |
|---|---|---|
| **Performance shares granted in 2016**<br>(Sum of 10 largest grants) | - | - |
| **Performance shares transferred in 2016**<br>(Ten employees) | 51,700 | 06/03/2012 |

# 2.2 Report of the Chairman of the Board of directors prepared pursuant to article L.225-37 of the French Commercial Code



In this report, the Chairman of the Board of directors reviews the composition of the Board of directors and the application of the principle of balanced representation of men and women, the conditions governing the preparation and organisation of the work of the Board of directors, and the internal control and risk management procedures implemented by the Company, notably those relating to the preparation and processing of financial and accounting information for the separate financial statements and the consolidated financial statements.

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], the AMF's 2016 report[2], and the October 2016 Annual Report of the High Committee for Corporate Governance (*Haut Comité de Gouvernement d'Entreprise* – HCGE).

## 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 26 May 2016 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) 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 (modified on 22 December 2015).*

*(2) 2016 Report on Corporate governance and remuneration of corporate officers of listed companies (November 2016).*

## 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 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 requested by the ECB (European Central Bank) concerning holding multiple corporate offices, selection of Board members and potential conflicts of interest, (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 (see p. 73 below) the CGEN's remit was extended to include CSR and ethics. Accordingly, the 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. The Code must be embedded in each business and embraced by all employees. It is a guide for actions and decisions across the organisation. The Board will ensure that Executive Management implements the Code of conduct in all of the Bank's businesses, 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, which have been broadened by 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.

The Internal Rules are appended to this report, together with the procedures requested by the ECB and adopted by the Board of directors.

**The Board of directors (at 31 December 2016)**
Chairman: Jean Lemierre

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

- Orientations 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)
Monique Cohen (i)
Wouter De Ploey (i) [(a)]
Sandrine Verrier (ii)
Fields Wicker-Miurin (i)

**Missions**

- Monitoring the preparation of the financial information
- Monitoring the efficiency of the internal control 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**

Jean-François Lepetit (C) (i)
Marion Guillou (i)
Nicole Misson (ii)
Laurence Parisot (i)
Michel Tilmant (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)
Jean-François Lepetit (i)
Nicole Misson (ii)

**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 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) From 1st january 2017

Each Committee is composed of members with expertise in the areas concerned. 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 European 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. The Chairman has had executive responsibilities in the banking sector. He has been Chairman of the *Commission des Opérations de Bourse* (COB), a member of the Board of AMF and Chairman of the *Conseil National de la Comptabilité* (CNC). Another of the committee's members has international experience in banking management;

- the members of the Corporate Governance, Ethics, Nominations and CSR Committee are independent Directors who have experience of corporate governance issues and of putting together management teams in international companies. Some deal with CSR issues professionally. As former MEDEF President, the Chairwoman was significantly involved in drawing up the Afep-Medef Code;
- the Remuneration Committee's composition complies with the recommendations of the Corporate Governance Code: its members have experience of the remuneration systems and market practices in this area, and include an employee Director. Two members of the Remuneration Committee are also members of the Internal Control, Risk Management and Compliance Committee (Jean-François Lepetit 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's 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 his 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 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 which it will have to opine;
- 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 26 May 2016 reappointed Jean-Laurent Bonnafé, Michel Tilmant, and Marion Guillou for a three-year term, and appointed Wouter De Ploey to replace Emiel Van Broekhoeven, who has not sought to renew his term of directorship, which expired at the close of the General Meeting.

At the end of the Annual General Meeting of 26 May 2016 and 31 December 2016,

| 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 2016)

The following table shows the situation of each Director with regard to the independence criteria contained in the Afep-Medef Corporate Governance Code defining an independent Director:

| | Criteria | Jean LEMIERRE | Jean-Laurent BONNAFÉ | Pierre André DE CHALENDAR | Monique COHEN | Marion GUILLOU | Dennis KESSLER | Jean-François LEPETIT | 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 | x | x | x | x | x | o | x | x | x | x | o | x |
| 2 | Whether or not corporate offices are held in another company | x | x | x | x | x | x | x | x | x | x | x | x | x | x |
| 3 | Whether or not significant business relationships exist | x | x | x | x | x | x | x | x | x | x | x | x | x | x |
| 4 | Whether or not there are close family ties to a corporate officer | x | x | x | x | x | x | x | x | x | x | x | x | x | x |
| 5 | Not an auditor of the Company within the previous five years | x | x | x | x | x | x | x | x | x | x | x | x | x | x |
| 6 | Not a Director of the Company for more than 12 years | x | x | x | x | x | o(*) | o | x | x | x | x | x | x | x |
| 7 | Major shareholder status | x | x | x | x | x | x | x | x | x | x | x(*) | x(*) | x | x |

*"x" Compliance with an independence criterion defined in the Afep-Medef Code.*
*"o" 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 (Afep-Medef) and reviewed by the Board of directors: Monique Cohen, Marion Guillou, Laurence Parisot, Daniela Schwarzer, Fields Wicker-Miurin and Pierre André De Chalendar.

  In particular, for Monique Cohen, Pierre André de Chalendar and Denis Kessler, the Board of directors confirmed that the business relations between BNP Paribas and respectively (i) Apax, as well as the companies in which Apax holds interests, (ii) Saint-Gobain and its group, and (iii) 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).
- In addition, according to the provisions contained in the Corporate Governance Code (Afep-Medef) (article 8.7), the Board of directors is of the view that the method of appointment, absence of potential conflict of interest and independent-mindedness (under the EBA's guidelines) of Michel Tilmant and Wouter De Ploey guarantee their independence.
- 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 sitting Chief Executive Officer has held the position for five years. Accordingly, the Board deems that Mr 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 Europe's major reinsurance companies.

Jean-François Lepetit did not wish to renew his term of office, which expires at the end of the Annual General Meeting in 2017.

- 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 (Afep-Medef) and the Board of directors' assessment.

### Directors' knowledge, skills and experience

The skills and experience reviewed by the Corporate Governance, Ethics, Nominations and CSR Committee (CGEN) are intended to ensure a diverse Board. Thus, the composition of Board brings together experience and knowledge in banking and finance, risk assessment, Executive Management of large corporate, international vision, expertise in digital transformation and in corporate social responsibility.

The Directors 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, which ensure their independence (article 4.2.1 and article 1.3 of the Internal Rules of the board of directors regarding identification, selection and succession of directors):

- 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 the Directors' commitment to the Company and to their duties within the Board, which collectively represents the shareholders;
- the Directors' proper understanding of the Company's culture and ethics.

## 1.c Directors' Ethical Conduct

- As far as the Board is aware, none of the Directors is in a situation of conflict of interest. The Board of directors' procedure requires them to report any situation of conflict of interest and to refrain from taking part in voting on the relevant issues. The Internal Rules also require Directors to consult the Chairman of the Board of directors regarding any situation liable to give rise to a conflict of interest.
- 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).
- The Directors 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).

## 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).
- 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. This system is also planned to be used 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 the annual training on the two regulations every year (April 2016).
- Material covered during two training days (in March and October 2016) included (i) the EBA's stress tests, (ii) SSM processes, (iii) the new Risk Dashboard, (iv) the Cash Management business line, and (v) the Currency Derivatives business line. It was also the opportunity for Directors to meet with the relevant managers in the Group.

- Pursuant to the provisions of the Decree of 3 June 2015 implementing the Job Protection Act of 14 June 2013 relative to 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 role and functioning of the Board, the bank's activities and organisation, and prudential ratios.

In 2016, the two employee-elected Directors attended 16 hours of external training on liquidity ratios and management of assets and liabilities. One of them elected by the employees also attended eight hours of external training on governance, compliance and competitiveness. The second one completed a 57-hour course to obtain a Director's certificate. 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 2016

| Directors | Board of directors | Specialised committees | Individual attendance rates |
|---|---|---|---|
| J. LEMIERRE | 100% | - | 100% |
| J-L. BONNAFÉ | 100% | - | 100% |
| P.A. DE CHALENDAR | 100% | 100% | 100% |
| M. COHEN | 100% | 90% | 96% |
| W. DE PLOEY | 100% | - | 100% |
| M. GUILLOU | 100% | 100% | 100% |
| D. KESSLER | 91% | 100% | 96% |
| J-F. LEPETIT | 100% | 93% | 97% |
| L. PARISOT | 91% | 100% | 96% |
| N. MISSON | 100% | 100% | 100% |
| D. SCHWARZER | 100% | 86% | 93% |
| M. TILMANT | 100% | 100% | 100% |
| E. VAN BROEKHOVEN | 83% | 100% | 93% |
| S. VERRIER | 100% | 100% | 100% |
| F. WICKER-MIURIN | 100% | 100% | 100% |
| **Average** | **98%** | **98%** | |

## 2. WORKS OF THE BOARD AND COMMITTEES IN 2016

### 2.a Works of the Board in 2016

| Meetings | Including exceptional meeting | Investment stake/holding/ interest average | Strategy seminar |
|---|---|---|---|
| 11 | 1 | 98% | 1 |

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

- examined the outcomes of the 2014-2016 Development Plan, as approved in 2014, in view of the operating divisions' performance in 2016, the deteriorating economic environment, the fall in interest rates, and the impact of the new taxes and regulations at national, European and international levels. The relevance of the choices made in the Plan was confirmed, in particular by:
  - projects preparing for the bank of the future (Hello bank!, Wa! Pan-European, multi-bank and multi-brand digital 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 made at the right time in 2014 and 2015 and at satisfactory prices,
  - the strengthening of compliance and control capacities,
  - a stringent risk management policy;
- tracked the progress of the CIB of Tomorrow programme;
- was informed of the situation of BNP Paribas Investment Partners business;
- reviewed the recommendation of the Central Works Council on the Bank's strategic guidelines and issued a response to its observations;

- heard the presentation of BNP Paribas' chief economist on the impact of low interest rate policy on the Bank;
- discussed the Bank's performance relative to the competition and its balance sheet, based on the results available for the 2015 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 2015 and in the 1st half of 2016;
- decided to pay additional profit-sharing for 2015;
- 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;
- appointed the Bank's permanent representative to the French deposit protection and bank resolution body, the *Fonds de Garantie des Dépôts et de Résolution,* and granted them the requisite authority;
- examined each of the related-party agreements entered into and authorised in previous years but still in force in the past year;
- authorised the partial IPO of First Hawaiian Bank and the gradual divestment of the entire equity interest in 2017 and 2018;
- approved the merger of BNP Paribas Wealth Management and BNP Paribas SA;
- was informed about the proposed reclassification of Arval Services Lease securities held by BNP Paribas SA to BNP Paribas Fortis;
- discussed BNP Paribas' policy concerning gender equality and equal pay;
- set out a policy to achieve the goal of balanced representation of women and men on the Board of directors;
- 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 second 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 25 February 2016). They outlined their priorities for banking supervision for 2016, which was followed by an exchange of views with the members of the Board.

As in previous years, the Board of directors met on 16 December 2016 for a strategy seminar focused, *inter alia*, on the performance of the 2014-2016 plan, the 2017-2020 strategic plan and guidelines, and the challenges for the Group's major business lines, Domestic Markets, Corporate and Institutional Banking and International Financial Services.

## 2.b Works of the Financial Statements Committee and work approved by the Board of directors in 2016

| Number of members | Meetings | Attendance rate |
|---|---|---|
| 5 | 4 | 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 2015 and the changes that took place between that date and 30 June 2016; 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 regarding capital and examined the results of the *Supervisory Review and Evaluation Process* (SREP) and their impact on the solvency ratio. It examined the change 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 2015, full-year 2015 and the first three quarters of 2016;
- 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 2015;
- discussed changes in equity and the capital adequacy ratio in light of the new prudential solvency regulations and new requirements imposed by the regulator. It acknowledged the request made by the ECB following the results of the SREP.

- 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;
- reviewed the options for renewing the Statutory Auditors' engagement for the period 2018-2023;

> The Board approved the proposal to renew the engagement of the three firms of auditors during the Annual General Meeting to be held in 2018.

- 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 2015, 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 2015.

### *Ad hoc* works performed by the Financial Statements Committee in 2016

#### *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 was informed about the project to transform Finance systems to meet the requirements of regulation BCBS 239.
- The Committee acknowledged the final results of the EBA's stress tests.

#### *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).
- The committee analysed the consequences of the European audit reform on services other than the certification of financial statements.

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## 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 2016

| Number of members | Meetings | Attendance rate |
|---|---|---|
| 10 | 2 | 100% |

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;
- reviewed the Bank's work for the stress tests conducted by the European Banking Authority;
- 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 and monitored the situation of certain countries in which geopolitical developments may have an impact on the quality of the portfolio held by the Bank. This also applies to certain business sectors, for which a review of the portfolio was conducted and monitored;
- examined the report on the assessment and monitoring of risks in 2015, 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 programme to ensure comprehensive and extreme quality data across the Bank;

- analysed the programme designed to protect the Bank against cyber security risks;
- reviewed the global systemically important bank notification system.

> The Board:
>
> - approved the Internal Capital Adequacy Assessment Process and its conclusions;
> - was informed of the Bank's work for the stress tests conducted by the European Banking Authority and the results of these stress tests;
> - was informed of the review of the portfolio dedicated to Energy, excluding electricity, and other commodities;
> - was informed of the Bank's situation in Brazil;
> - 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;
> - heard the results of the work done based on a report drawn up for the assessment and monitoring of risks in 2015;
> - was informed about the global systemically important bank notification system.

## 2.d Works done by the Internal Control, Risk Management and Compliance Committee and work approved by the Board of directors in 2016

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

### Risks and liquidity

The Internal Control, Risk Management and Compliance Committee:

- monitored the new organisation of the Risk Function which should improve the operational efficiency of the control mechanisms and procedures, facilitate the anticipation of risks, including those linked to regulations, and reinforce controls;
- 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;
- reviewed the interim Operational Risk report;
- examined the risk profiles of the major subsidiaries for which the BNP Paribas Risk Committee acts as Risk Committee, and proposed establishing Risk Committees in these subsidiaries thereby ending delegation of this function to the BNP Paribas Risk Committee;
- examined the ECB's final report on Risk governance and appetite, and the draft response to the section on risk:
  - monitored implementation of the action plan for managing the Bank's Risk Profile following the ECB's thematic review on risk governance and the Risk Assessment Framework (RAF),
  - reviewed the proposed indicators to monitor global interest rate risk and operational risk,
  - analysed developments in the Group's Risk Appetite Statement (RAS) and the aggregate risk limits;
- 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;
- discussed the approach to be adopted by each business line so that risks are more effectively taken into account in the pricing of products and services;
- examined the issues relating to cyber security and their impacts, and read the ECB's follow-up letter on a special mission on this issue;
- analysed the risks arising from the Group's exposure to clearing houses (CCP);
- read the Internal Liquidity Adequacy Assessment Process (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.

The Board:

- approved the Group's Risk Appetite Statement, changes to the Statement, the aggregate risk thresholds and limits, as well as the procedure for referring any overrun of aggregate thresholds or limits to the Board;
- examined, based on the Risk Appetite Statement 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 about the committee's review of the ECB's final report on Risk governance and appetite, and approved the committee's draft response;
- examined the pricing and maturity conditions of issues of debt securities, within the scope of the budgets allocated by the Board;
- examined, based on the Committee Chairman's report, all of the committee's work on Group risks, in particular those relating to changes in the Risk Appetite Framework (RAF) and risk governance;
- was regularly informed of trends in the cost of risk by business and geographical area;
- asked the committee to regularly monitor the cyber security issues;
- approved the establishment of risk committees in the major subsidiaries, thereby ending delegation of responsibility for this role to the BNP Paribas Risk Committee;
- approved the level of tolerance to the liquidity risk and the policies, procedures and internal systems relating to the liquidity risk.

### 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) programme in view of the implementation of revision rules and the defining of a cross-company KYC model;
- examined the 2015 internal control report including the Compliance Risk Assessment report, the key compliance points across all business lines and geographical areas, the report on operational risks, permanent control and business continuity, as well as the control of outsourced activities and the periodic control report. It proposed measures for the Board's approval;
- reviewed Risk Assessment in the area of measures to counter money-laundering and financing of terrorism;
- reviewed the Chairman's report on internal control and submitted for the approval of the Board;
- analysed the Compliance Function's interim report;
- discussed the main results of periodic control in 2015 and in the first half of 2016, including in particular the establishment of a financial security subsidiary with a presentation by its manager; it reviewed the results of the first wave of audits in entities with clearing operations in dollars;
- reviewed the periodic interim report of the Compliance Function as well as a mission on Turkey;
- reviewed and monitored the periodic control transformation programme and the new methodology for rating the recommendations of missions;
- 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 following: the case of the real estate loans granted in Swiss francs to private individuals for rental investment purposes; the investigations launched by foreign authorities into Credit Default Swaps (CDS) and the results of the related class action; and Group investigations and actions with regard to banks' foreign exchange rate practices;
- examined the incidents, especially concerning market transactions, and requested the set-up of action plans to fill the gaps in this system;
- was informed of the modification requests and additional requests made by the regulators concerning the recovery and resolution plans, as well as those relating to the US plan;
- 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.

The Board:

- approved, based on the Committee Chairman's report, the internal control report as well as the Chairman of the Board's 2015 internal control report;
- examined, based on the Committee Chairman's report, all of the Risk Assessment Committee's and work on measures to counter money laundering and financing of terrorism;
- 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 American and European authorities;
- monitored the set-up of the Remediation Plan;
- was informed of the introduction of a Country policy and KYC programme;
- 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.

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 read the follow-up correspondence from the ACPR on Tracfin and its consequences.

The Board:

- heard the report of the interviews;
- read the follow-up correspondence from the ACPR on Tracfin.

## 2.e Works done by the Governance, Ethics, Nominations and CSR Committee (CGEN) and works approved by the Board of directors in 2016

| Number of members | Meetings | Attendance rate |
|---|---|---|
| 4 | 8 | 97% |

### 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 2016, namely those of Marion Guillou and Jean-Laurent Bonnafé;
- asked the Board submit to a vote of the Annual General Meeting of 2016 (i) the renewal of the term of office of Michel Tilmant and (ii) the nomination of Wouter De Ploey for the position of Director of the Bank, after considering the proposals of *Société Fédérale de Participations et d'Investissement* (SFPI);
- proposed the renewal of the terms of office of Jean-Laurent Bonnafé as Chief Executive Officer and Philippe Bordenave as Chief Operating Officer;
- reviewed the position of each Director and proposed that the Board appoint Wouter De Ploey as a member of the Financial Statements Committee;
- continued its consideration of the membership of the Board of directors and appointed an external firm to identify, on an ongoing basis, candidates for independent Directors;
- examined the Directors' obligations as set out by the Market Abuse Regulation that came into force on 3 July 2016.

The Board:

- asked the Shareholders' Annual General Meeting to renew the terms of office of the Directors concerned and appoint a new Director;
- has reappointed Jean-Laurent Bonnafé as Chief Executive Officer and, on the proposal of the Chief Executive Officer, reappointed Philippe Bordenave as Chief Operating Officer;
- appointed the proposed Director as a member of the Financial Statements Committee;
- was informed of the obligations concerning the Directors as set out by the Market Abuse Regulation.

### Governance

The Governance, Ethics, Nominations and CSR Committee:

- examined the ECB's final report on the topical review of "Risk Governance and Appetite", and the draft response to the section on governance;
- has established, following the "Risk Governance and Appetite" topical review, the formalisation of three procedures on (i) the holding of multiple corporate offices by Directors, (ii) the selection of members of the Board of directors and (iii) management of potential conflicts of interest of Directors;
- took note of the report of the Nominations Committees of the subsidiaries with a balance sheet total of over EUR 5 billion;
- examined the draft non-compete agreement of the Chief Executive Officer;
- examined the *Corporate governance* part of the Chairman's report for 2015; it recommended its approval to the Board of directors.

The Board:

- validated and approved the non-compete agreement of the Chief Executive Officer;
- validated and approved the three Board procedures;
- approved the *Corporate governance* part of the Chairman's report for 2015.

### Functioning of the Board

The Governance, Ethics, Nominations and CSR Committee updated the Board of directors' Internal Rules. This update takes into consideration (i) the extension of the powers of the Governance, Ethics, Nominations and CSR Committee (see points on the Board's assessment and the Code of conduct below); (ii) the three procedures requested by the ECB as part of its "Risk Governance and Appetite" topical review; and (iii) compliance with the reform of the statutory audit, which leads to a change in the missions of the Financial Statements Committee.

The Board deliberated on and adopted the amendments to its Internal Rules.

### Training of Employee Directors

Pursuant to the new provisions of the Decree of 3 June 2015, the committee proposed that the Board set the number of training hours to a minimum of 20 per year; this minimum can be exceeded according to the needs expressed by the Employee Directors.

The Board approved this proposal.

### Assessment of the Board of directors

The Governance, Ethics, Nominations and CSR Committee:

- proposed that the Board call on an external firm every three years and conduct an annual "internal" assessment in the meantime;
- proposed an action plan, following the results of the 2015 assessment which highlighted satisfaction in the Board's functioning, consisting of (i) establishing a procedure for the selection of Directors and Chairpersons of the various committees, (ii) strengthening the Directors' information on Digital, (iii) extending the powers of the Ethics and CSR Committees and amending the name thereof accordingly;
- proposed, in the action plan, to continue preparing succession plans;
- prepared the 2016 assessment of the Board of directors, and the manner in which the Board and its Specialised Committees function.

The Board approved the action plan.

### Code of conduct

The Corporate Governance, Ethics, Nominations and CSR Committee, in collaboration with the managerial teams and in accordance with the powers entrusted thereto, devoted two meetings to the development of a new Code of conduct for the Group. It submitted it for Board of directors' approval and monitored its deployment within the subsidiaries and geographical areas of the Group.

The Board of directors approved the Group's Code of conduct at its meeting on 31 March 2016.

### Directors' remuneration

In light of the Remuneration Committee's approval of the allocation of attendance fees for 2016, the Corporate Governance, Ethics, Appointment and CSR Committee examined the actual attendance of each Director on the committees and Boards in 2016.

### 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 Board of directors approved the report on the Group's Social and Environmental Responsibility with the amendments proposed by the committee

## 2.f Works done by the Remuneration Committee and works approved by the Board of directors in 2016

| Number of members | Meetings | Attendance rate |
|---|---|---|
| 4 | 4 | 87.5% |

Two members of the Remuneration Committee are also members of the Internal Control, Risk Management and Compliance Committee (Jean-François Lepetit and Nicole Misson); this promotes the work of the Committee on the adequacy of BNP Paribas' compensation policy and risk policy, thus meeting the requirements of the CRD 4.

The Remuneration Committee:

- examined the issues relating to the 2015 remuneration of Group employees whose responsibilities within the Bank have a significant impact on the Group's risk profile, 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 2016 public report on the remuneration paid to regulated persons in respect of 2015,

  - the summary of the General Inspection report concerning the implementation of the review of regulated persons' remuneration in respect of 2015;
- reviewed the list of the highest paid employees in 2015;
- reviewed the new scope of regulated persons identified in respect of 2016;
- reviewed the criteria for determining those individuals' variable remuneration packages and was informed of the process for determining the remuneration of the relevant employees.
- was informed of the correspondence with the *Autorité de contrôle prudentiel et de résolution* (ACPR) on these issues;
- checked the remuneration of the Head of Risks and Head of Compliance;
- proposed to the Board to end the termination agreement for the Chief Executive Officer;
- 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 2015.
- discussed the incentive plans for executive corporate officers designed to encourage value creation over the long term. In this context, it proposed amendments to (i) the Long-Term Incentive Plan (LTIP) Regulations for 2015 so that it includes "clawback", penalty and termination clauses, and (ii) that the Long-Term Incentive Plan for 2016 takes into consideration the new European Banking Authority rules;
- proposed changes in the fixed and variable remuneration of executive corporate officers starting from 2016 following the publication on 21 December 2015 of the new European Banking Authority rules on remuneration policies;
- 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 regulated employees;
- examined the allocation of Directors' fees and the amount allocated to each Director in respect of 2016 on the basis of the actual attendance audit of Directors on the Boards and Committees by the Governance, Ethics, Nominations and CSR Committee;

The committee proposed that the Board maintain for 2017 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:

- resolved to end the termination agreement for the Chief Executive Officer;
- adopted the principles for remuneration of the corporate executive officers in respect of 2016, taking into account the new EBA rules. These provisions are described in the Remuneration section of point 2.1 of this chapter;
- 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 2015;
- ensured that the change in the variable remuneration of executive corporate officers was appropriate;
- approved the adjustments made to the Long-Term Incentive Plans for 2016, the characteristics of these long-term incentive plans intended to link the remuneration of executive corporate officers to long-term value creation, remaining 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 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 2016

# 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;
- 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 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 Chairman's 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 a 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 c ontrols. 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.*

*(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.*

*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.*

*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.

*(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.*

## 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.

# 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, ie. 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.

# 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 is validated by the deliberative body.

## 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 French Market Authority, 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 and the European Authorities (the European Banking Authority, the European Securities and Markets Authority).

## 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 specifies the framework of this system and constitutes BNP Paribas' basic internal framework for internal control. Widely distributed within the Group and accessible to all its employees, this charter firstly recalls the objectives of internal control, which aims to ensure:

- the development of a high-level risk culture for employees;
- the efficiency and quality of the Company's internal operations;
- the reliability of internal and external information (including accounting and financial information);
- security of transactions;
- compliance with laws, regulations and internal policies.

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

One of the fundamental principles of internal control is the comprehensiveness of its scope: it is applied to risks of any kind and to all entities of the BNP Paribas Group, whether they are operating entities (business areas or divisions, business lines, functions, regions and territories) or legal entities (branches and subsidiaries subject to consolidation), without exception and with the same degree of requirement. It extends to essential or important services or operational tasks that have been outsourced, under the conditions provided by the regulations, and to the companies for which BNP Paribas is responsible for operational management even if they are not within the scope of consolidation. Implementation of this principle requires precise visibility on the scope of responsibility and must take into account the evolution of the Group's activities.

## FUNDAMENTAL PRINCIPLES OF INTERNAL CONTROL

BNP Paribas' internal control is based on the following rules:

- the responsibility of operational staff: the permanent control system must be integrated into the operational organisation of the entities. Every operational area is responsible for exercising effective control over the activities under its responsibility and each employee has a duty to alert about any failure or deficiency of which he/she becomes aware;
- the comprehensiveness of the internal control (see above for its scope);
- the separation of tasks: it is exercised particularly between the origination and execution of the transactions, their accounting, settlement and control; it also involves setting up specialised functions with independent controls and a clear distinction between permanent and periodic control;
- proportionality to risks: the extent and the number of checks must be proportional to the intensity of the risks to be covered. These checks, if any, include one or more controls exercised by the operational staff and, if necessary, one or more independent permanent control functions. Checks exercised by an independent function may take the form of a "second look", consisting of a cross-check. Disputes that may arise are resolved through a reporting escalation process;

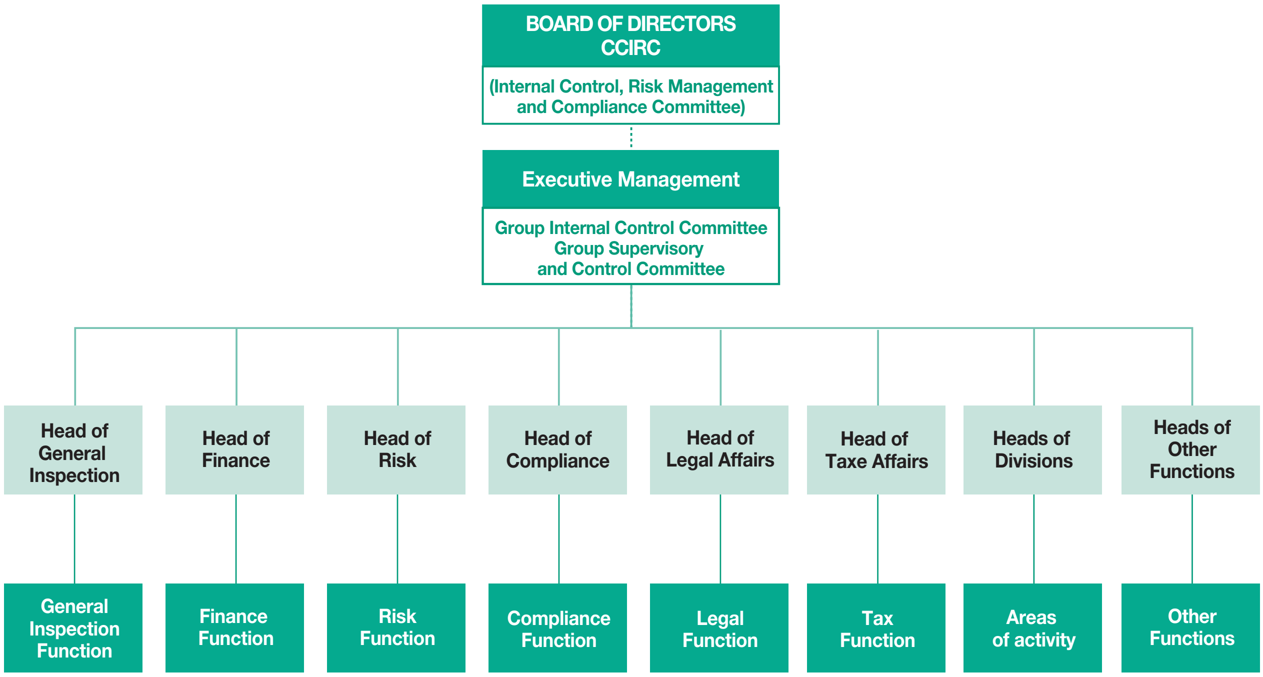
- appropriate governance: the mechanism is subject to governance involving the different stakeholders and covering the various aspects of internal control, both organisational and monitoring and control; the internal control committees are a key instrument in this mechanism;
- the traceability of the internal control: it is based on written 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.

Compliance with these principles is verified on a regular basis, in particular through surveys carried out by the periodic control teams (General Inspection).

## ORGANISATION OF INTERNAL CONTROL

BNP Paribas' internal control consists of permanent and periodic control, which are separate and independent from each other, while at the same being complementary:

- permanent control is the overall system that allows the continuous implementation of risk control measures and monitoring of the implementation of corrective actions. It is primarily provided by the operational staff, including their reporting lines, and secondly by the independent control functions integrated in the operational entities or independent from them;
- periodic control is the overall system by which ex post verification of the proper functioning of the Company is ensured through surveys carried out by General Inspection, which performs its functions independently.




## KEY PLAYERS IN INTERNAL CONTROL

- Executive Management, under the control of the Board of directors, is responsible for the Group's internal control system. In order to strengthen its oversight of the Group's internal control, since 2014 it has set up two Group-level committees in which it directly participates: the Group Internal Control Committee and the Group Supervisory and Control Committee.
- Operations staff, whatever their position (front/middle/back office, support functions), and in particular those with reporting responsibilities, are primarily responsible for monitoring the risks under their control and are the front-line in permanent control. They exercise so-called first-level controls: controls on the transactions that they process and for which they are responsible, controls on operations or transactions handled by other operational staff or reporting controls on their teams.
- The independent permanent control functions exercise so-called second-level controls:
  - the Compliance Function contributes to the continuous monitoring 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. The system was reinforced by integrating reporting lines for the function under the sole authority of its manager. This new organisation was implemented in the first half of 2015. The Chief Compliance Officer, a member of the Group Executive Committee, reports to the Chief Executive Officer,
  - the Risk Function contributes, in particular by taking a "second look" at new transactions and activities, by ensuring that the credit and market risks taken by BNP Paribas are in line with its policies and profitability objectives. The Risk Function also ensures, by means of dedicated teams, the supervision of the permanent control system on the one hand, and on the other, the measurement and monitoring of the operational risk of the business activities (divisions and business lines) and the functions themselves. The missions entrusted to this function are performed independently from the business activities and support functions, which contributes to

the objectivity of its permanent control. Its head, a member of the Executive Committee, reports to the Chief Executive Officer, and represents the Bank before the *Autorité de contrôle prudentiel et de résolution* with regard to permanent control;

- the Legal Function exercises its responsibility to prevent and manage legal risks through its advisory and control roles. Its control is exercised in particular through the follow-up of the legal opinions that it issues. The missions entrusted to this function are performed independently of the business activities and support functions. The system was reinforced by integrating the reporting line for this function under the sole authority of its manager, who reports to the Chief Executive Officer,
- the Finance Function is in charge of producing and checking management and accounting reports of high quality, overseeing management control of the Group's accounting information systems and ensuring the compliance of the Group's financial structure. Its manager reports to the Deputy Chief Operating Officer;

- 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 platforms (called "hubs").

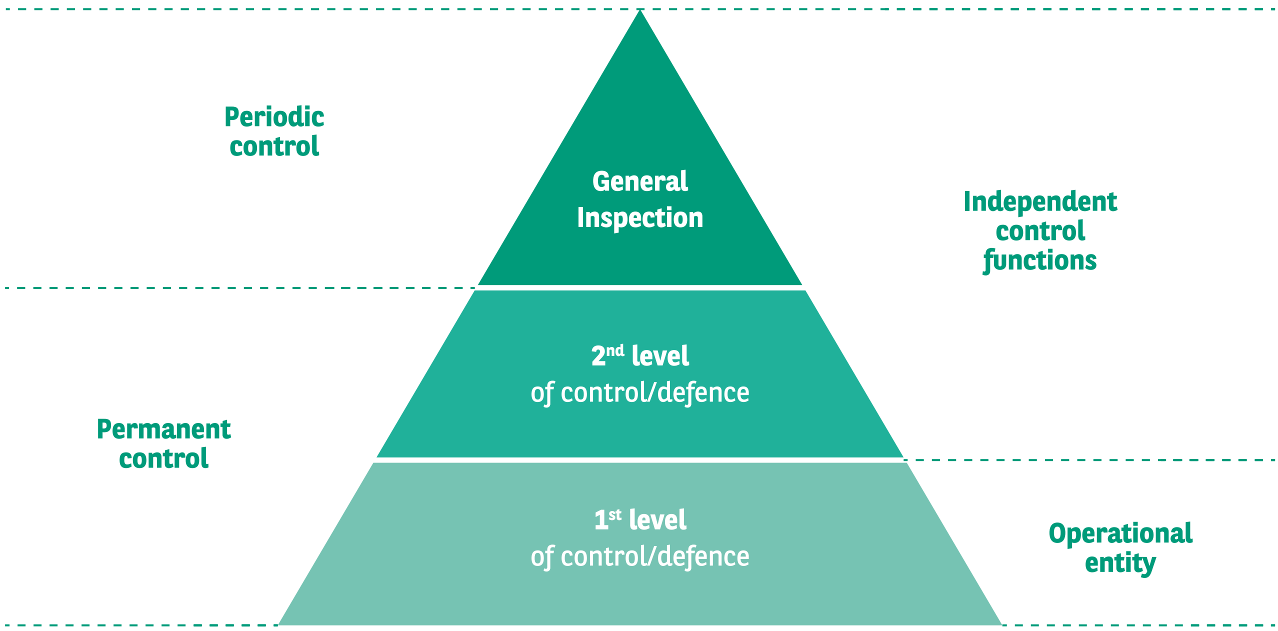
  The Inspector General, responsible for periodic controls, reports to the Chief Executive Officer;

- Finally, the Board of directors carries out internal control tasks. In particular, the Internal Control, Risk Management and Compliance Committee (CCIRC), a specialised committee of the Board of directors (see 2.d above):
  - 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.

As part of the implementation of the European Directive CRD 4 provisions on governance, the missions of the Board of directors are strengthened. The Board of Directors, in particular on the recommendation of the CCIRC, reviews and validates the strategies and policies governing risk taking, management, monitoring, risk reduction and governance.

The Heads of the Compliance, Legal, Risk and General Inspection Functions shall report on the exercise of their duties to the Chief Executive Officer and to the Board of directors, if the latter deems it necessary. They shall report regularly to the appropriate committee of the Board of directors (the Internal Control, Risk and Compliance Committee). They may be heard by the committee at their request.

The Heads of the Risk and Compliance Functions and the Head of Periodic Control may refer the matter directly to the Board if they believe that an event that could have a significant impact should be brought to its attention; the Head of the Risk Function may not be removed from office without the approval of the Board.




## COORDINATION OF INTERNAL CONTROL

This is carried out by the Group's Supervisory and Control Committee as one of its missions. This bi-weekly Committee is chaired by the Chief Executive Officer. Its other members are the Deputy 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.

## 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 supervision 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 mainly on committees (Exceptional Transaction Committees, new activities and products, 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.

## 2016 HIGHLIGHTS

Like 2015, three objectives marked 2016: the implementation of the remediation plan, the integration of the control functions, and a Know Your Customer (KYC) programme with the continued strengthening of Compliance resources.

### 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.

Headcount of the Group's Compliance Function again increased significantly and now stand at 3,387 full-time equivalents (FTEs) at year-end 2016, an increase of 25% compared to 2015. The Compliance Function continues to oversee the implementation of the "remediation plan" requested by the French and US authorities representing the translation of the commitments undertaken by BNP Paribas 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, especially 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, data protection, and the strengthening of mechanisms to protect customer interests.

Thus, in 2016 the work undertaken by the Compliance Function resulted in particular in the following actions:

- the Code of conduct was updated and supplemented, translated into 18 languages, and carries a mandatory training campaign for all Group staff; at 31 December 2016, practically all of the employees concerned had received this training;
- in the field of financial security, after completing the work to strengthen the mechanisms related to International Financial Sanctions (deployment of the ex-ante transaction filtering system against lists of sanctions and embargoes), the Compliance Function began consolidating its AML/CFT system. To this end, restructuring of the dedicated Compliance teams was initiated in 2016 and should be completed in 2017. The project to transform the AML transaction monitoring system was launched in February 2016;
- defining the target permanent control system to be used by the Compliance Function with a phased deployment from 2017 and which will continue until 2018;
- the establishment of procedures, tools and control plan in order to meet the new MAD/MAR requirements;
- the implementation of MIFID2 and PRIIPs with the creation of an Operational Compliance Committee to coordinate the actions of local Compliance teams in each of the countries concerned;
- the deployment of general control plans in the field of data protection, which is becoming more critical with the increasing digitisation of the economy, and in the protection of clients' interests;
- the continued implementation of new applicable regulations (French Banking Act, the US Volcker Rule, the US FATCA legislation, AEOI, etc.) and deployment of associated periodic certifications processes.

In the area of Know your Customer (KYC), the Compliance Function monitors files reviews across all of the Group's business lines, reports to the Chief Executive Officer on a monthly basis, and is overhauling the due diligence, risk assessment and decision-making principles, resulting in a new set of policies, most of which were published in 2016 (an overall policy, and specific policies for each of the 16 client segments).

In terms of training, major efforts continued across the entire Group, using multiple channels (online training mandatory for employees exposed to risk in this area, distribution of a manual, classroom sessions), to raise awareness among all employees involved of the importance of international financial sanctions and their main features. Thus, as at 31 December 2016, 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. Nearly 90% of the employees concerned received online KYC training.

2017 will see the continuation and completion of several projects:

- the completion of the upgrade of the new organisation, having been equipped with substantial human and technical resources;
- the establishment of new financial security systems throughout the Group, in the area of international financial sanctions;
- preparation for the implementation of the new European Regulation on Data Protection.

## RISK AND PERMANENT CONTROL

In 2016, the Risk Function completed the implementation of its vertical integration, through the hierarchical reporting of all Group teams to the Function's Executive Committee. In this context, the Risk Function updated its charter in complete coordination with the Compliance, Legal and General Inspection Functions in order to appropriately document their enhanced role in the internal control system. This update has enabled the scope for each function to be defined. In this context, the Risk Function was allocated overall responsibility on the issues of prevention and protection against fraud and control of the risk related to the use of third parties for the performance of certain services or provision of products.

At the same time, the function steered a project to review the operational risk management system at the Group level (the second line of defence responsibility for this system, as well as the associated teams, having been transferred from the Compliance Function to the Risk Function at year end 2015) in order to:

- clarify the roles and responsibilities of the various participants;
- harmonise the structures, strengthen the role of the Risk Function in the independent challenge and decision-making process; and
- to upgrade the information system currently in place to improve its efficiency and to better meet the expectations of the various stakeholders in the context of this management of the Group's operational risk.

In 2016, this project resulted in a new organisational model that will be operationally deployed within the Group's entities in 2017. This model is based on a hybrid structure with, on the one hand, decentralised teams within the businesses, under the responsibility of the risk managers 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). This model also provides for the creation, within the Risk Function, of a dedicated team responsible for the second line of defence on technological risks and data protection (cybersecurity). This team brings together pre-existing skills within the Group and will be strongly enhanced in 2017 in order to supplement the Group's structure in this field.

The Risk Function has also completed the deployment of the governance within the Group around model management, with the aim of further controlling the model risk, for which the function provides the second line of defence.

Furthermore, the Risk Function also led a cross-functional project to define the Group's Risk Appetite Statement. This document, addressing all the risks to which the Group is exposed, was submitted for approval by the Board of directors in May 2016 and is now used as a reference in the decision-making process that has an impact on the Group's risk profile which in turns supports and impacts the Group's business development strategy. In a second step, a similar exercise was then carried out to adapt the Risk Appetite Statement to the Group's significant subsidiaries according to their environment. This development was accompanied by a revision of the Group's summary report on risks presented to the specialised Committees of the Board of directors to include the monitoring of the indicators and associated limits defined in the Risk Appetite Statement. In 2016 the function also launched a structured and comprehensive approach to the identification of material and emerging risks throughout the Group.

In order to improve the management system and meet European regulatory requirements in terms of stress tests, the Risk Function, in conjunction with the Finance Function, has defined a multi-year roadmap to rebuild the infrastructure underlying this process. The implementation of this plan will begin in 2017, under the leadership of a newly created joint team to both functions. These two functions also contributed to the improvement of the Group's system for managing the completeness, quality and consistency of the risk and accounting data used for accounting and risk monitoring or reporting purposes (in line with the Basel Committee guidelines - BCBS 239), as well as on the implementation of cross-functional projects within the Group in order to bring the Group in line with regulatory (such as *Supervisory Review and Evaluation Process* - SREP – led by the European Central Bank) or accounting developments (IASB's IFRS 9).

The Risk Function, with the support of the Compliance, Legal and Human Resources Functions, has developed and promoted the Group's risk culture to include new risk categories. This system will be effective in 2017.

In 2017, the main projects of the Risk Function will be:

- the deployment and integration of the organisational model for the Group's operational risk management activities, including issues related to cybersecurity, into the business lines and functions;
- 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 in terms of forecasting and efficiency;
- the implementation of new processes 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, BNP Paribas no longer finances the extraction of coal, either *via* mining projects or through specialised coal mining companies without a diversification strategy. In addition, the Bank refused to finance three quarters of coal-based power plant projects examined over the period 2011-2016, acting primarily in accordance with energy efficiency criteria. This policy was strengthened in 2016: any such project is now refused. Twenty companies in the coal sector were also excluded in 2016.

Sectoral policies, many of which incorporate carbon criteria, apply to all Group employees and since the end of 2012, 21,310 employees received online training on at least one of these policies.

Also as part of the Paris Agreement, 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.

As a result, the Group also conducted a subsequent study to determine the effect of a carbon price on the EBITDA of our customers in six industrial sectors with the highest emission levels and to measure the robustness of their financial model in the face of carbon risks. The first tests were carried out on two sectors. These risks must be considered as part of the annual reviews and the determination of the internal counterparty rating.

Moreover, the Group now considers the physical risks of climate change in conjunction with its supervisory authority (ACPR). Such consideration 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 order to ensure that ESG risk management tools are strictly applied in all entities, the Group has deployed a CSR operational control plan since 2015. The first of these periodic inspections took place in 2016 and the system will be extended in the first quarter of 2017.

Further information on risk management related to climate change is contained in Commitment 3 described in chapter 7 of the Registration document.

## PERIODIC CONTROL

After redefining its governance in 2015 and aligning its structure to that of the Group with the creation of five areas overseeing the geographical and business line platforms and four specialised audit lines (IT, models and markets, compliance, finance), General Inspection adjusted its system during 2016 to better understand regulatory issues and meet the expectations of the supervisory authorities.

Thus, the "compliance channel" was refocused and became the "financial security audit line". On the other hand, a new responsibility was created within the Function's Executive Committee to take on all regulatory matters and oversee and ensure control of the audit coverage of the three other integrated control functions.

Apart from these developments, at the end of 2015, General Inspection launched a major transformation programme: "RedisIGn". Throughout the year, the programme has mobilised its key players, starting with all the members of the Function's Executive Committee, some of their direct teams, around 20 hub managers and several of their deputies.

RedisIGn includes fourteen projects, with more or less broad scopes. Nine of these projects were completed in 2016. The other five are to be carried out during 2017. The comments hereafter relate to these different projects, giving some detailed elements on the most structural ones.

The project on the mandate of the General Inspection involved redefining and formalising the roles and responsibilities of the Function, specifying the nature of its missions and organisation. This consideration led to a redrafting of the General Inspection Function Charter, published in September 2016 after being presented to the Internal Control, Risk and Compliance Committee.

Four other projects focused on relations with stakeholders with the aim of assessing, clarifying and strengthening, where necessary, the interactions of the General Inspection with these internal and external stakeholders involved in internal control. Externally, this work resulted in the organisational changes presented above with regard to regulators and supervisors; an exchange framework was also developed with the audit bodies of other banks, with professional bodies and Statutory Auditors. Internally, the links and exchange of information with the three other control functions were formalised.

Several projects also focused on a methodological component, the main objective of which was to improve, supplement, simplify and streamline the way in which General Inspection carries out, controls and reports on its work. The manner in which missions are carried out has been completely redesigned, with a redefinition of the audit approach and methods, which are key for the effective implementation by inspectors and auditors from January 2017; the last phase will seek to streamline the form of working papers and the presentation of results.

Many other topics were considered and resulted in concrete changes: processes have been improved; the production of various activity reports drawn up by the Function and to be submitted to the Audit Committee or the Internal Control, Risk and Compliance Committee have been streamlined and are largely automated; a scoreboard of key performance indicators - aggregate and for each of the hubs - was designed and is distributed monthly; an adaptation of the computer database used to record the audit work was finally launched to better meet user needs while undertaking a deeper overhaul of this software over time.

Three projects focusing on the internal organisation were added to the work plan.

One focused on Human Resources, to strengthen the attractiveness of the Function through sharpened skills and career management and training courses.

Another focused on how the different components of the General Inspection were linked together. The Function is indeed complex, with many locations, teams dedicated to specific business lines and others to specialised activities… In this case, all of these components must interact to ensure that the audit scope is covered in the best way: with this in mind, each of the roles and responsibilities have been completely redesigned.

A final major project focused on mapping, risk assessment and development of the audit plan. 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. The new processes of systematic risk assessment and preparation of the annual audit plan are to be implemented during 2017 with the objective of defining the audit plan in 2018 on this new basis.

The capacity of the General Inspection to carry out its transformation programme by the end of 2017 and to complete all tasks entrusted to it is based in part on the continued growth of its headcount, which reached 1,236 FTEs at 31 December 2016 (a 12% increase in one year; a 28% increase since the end of 2014 before the integration of BGZ and LaSer) and the other on the investments made in terms of training, with more than 12,600 days spent (an 11% increase). This increase particularly concerned training dedicated to compliance and audit methods. Finally, the policy of promoting professional qualifications was pursued with a number of auditors certified, also up by 11%.

### INTERNAL CONTROL EMPLOYEES

At year-end 2016, the various internal control functions were supported by the following headcount numbers (FTE = Full Time Equivalents, year-end):

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Change 2016/2015 |
|---|---|---|---|---|---|---|---|
| Compliance | 1,567 | 1,577 | 1,650 | 1,732 | 2,715 | 3,387 | +25% |
| Oversight of permanent control/ Operational Risk (RISK ORC) | 381 | 361 | 331 | 371 | 417 | 468 | +12% |
| Risk | 1,971 | 1,965 | 1,920 | 2,080 | 2,218 | 4,695 | +112% |
| Periodic control | 1,107 | 1,030 | 962 | 1,027 | 1,104 | 1,236 | +12% |
| **TOTAL** | **5,026** | **4,933** | **4,807** | **5,210** | **6,679** | **9,786** | **+47%** |

The headcount allocated to the supervisory function of permanent control and operational risk increased in 2016 as a result of changes in the scope of consolidation.

The headcount increase in the Risk Function (excluding staff dedicated to the supervision of operational risk and permanent control and on a like-for-like basis) stems from the implementation of the new organisational model during 2016 with the hierarchical reporting of all employees involved in the Risk Function.

## INTERNAL CONTROL PROCEDURES RELATING TO PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

### ROLES AND RESPONSIBILITIES FOR PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

The Finance Function, under the authority of the Chief Executive Officer, is responsible for preparing and processing accounting and financial information and its work is defined in a specific Charter covering all those working in the function. In particular it consists of:

- defining accounting policies and standards as well as management information principles and standards;
- preparing accounting information and making the regulatory reporting;
- producing information on solvency and liquidity ratios calculating the ratios and making the regulatory reporting;
- preparing management information (achieved and forecast) and providing the necessary support for 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;
- handling the Group's corporate 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);
- managing the organisation and operational processing of activities related to the Finance Function;
- exercising a warning function as regards Executive Management.

All its work, whether carried out directly or with other functions, 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. 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/ Operational Entity (OE)/business lines) 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/OE/business line to which it is operationally attached;

- the divisions/OEs/business lines carry out a business analysis. They also 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/OEs/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/ OE 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's Accounting Policies and Standards Department defines the IFRS-based accounting principles to be applied on a Group-wide basis. 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/OEs/business lines and accounting entities *via* the BNP Paribas intranet. It is regularly updated to reflect regulatory changes.

The Group's Accounting Policies and Standards Department also responds to requests from the divisions/OEs/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);
- **the management channel:** this channel prepares the management information (especially that from the divisions/OEs/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 revolves around the following system:

- governance involving Finance, ALM-Treasury and the Risk Function, both at Group level and at the level of the divisions/OEs/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/OEs/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 LCR and NSFR regulatory reports as well as internal monitoring indicators.

## PERMANENT CONTROL OF FINANCIAL AND ACCOUNTING 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/OEs/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/OEs, 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 have the appropriate size and expertise. The key responsibilities of these local teams are as follows:

- providing a link between Finance and the back offices that send 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/OEs/business lines; and for the consolidation process for which the "Group Reportings" Department in 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 forming part of the regulatory reportings on credit risk and 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:

- checking the appropriateness of the valuation system as part of the approval process for new transactions or activities;
- checking the proper recording of transactions in the systems and ensuring it is appropriate with the valuation methodologies;
- checking the development and approval mechanism independent of valuation methods;
- determining the market parameters and the procedure for an independent checking 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.

The quality of the accounting certification process is regularly reviewed with the divisions/OEs/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/OEs 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/OEs/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 Group is engaged in a programme to ensure compliance with the principles set by the Basel Committee for effective risk data aggregation and risk reporting. 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, this year, to launch multi-annual action plans in the Group divisions/OEs/functions, in order to achieve a high quality level for critical data, and to deploy the principles of governance in the divisions/OEs, especially with the appointment of Chief Data Officers (CDOs). Each CDO is responsible, for scope for defining the strategy as a whole and implementing the process as well as ensuring its monitoring over time.

## PERIODIC CONTROL – CENTRAL ACCOUNTING INSPECTION TEAM

General Inspection has a team of inspectors (the Central Accounting Inspection Team) who are specialists in accounting and financial audit. This reflects its 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 evaluation chart 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 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 recommendations to the Financial Statements Committee concerning choices with a material impact;
- they present their conclusions to 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.

# 2.3 Statutory Auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code, on the report of the Chairman of the Board of directors



**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

For the year ended 31 December 2016

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. 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, and in accordance with article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with article L.225-37 of the French Commercial Code for the year ended 31 December 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by article L.225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

### Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report regarding the information given on the Company's internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

### Other information

We attest that the Chairman's report sets out the other information required by article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, 7 March 2017

The Statutory Auditors

| **Deloitte & Associés** | **PricewaterhouseCoopers Audit** | **Mazars** |
|---|---|---|
| Damien Leurent | Étienne Boris | Hervé Hélias |

# 2.4 The Executive Committee

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As of 3 February 2017, 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;
- **Éric Martin**, Head of the 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;
- **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.

# 3 2016 REVIEW OF OPERATIONS

# 3.1 BNP Paribas consolidated results

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **43,411** | **42,938** | **+1.1%** |
| Operating Expenses and Dep. | (29,378) | (29,254) | +0.4% |
| **Gross Operating Income** | **14,033** | **13,684** | **+2.6%** |
| Cost of Risk | (3,262) | (3,797) | -14.1% |
| Costs related to the comprehensive settlement with US authorities | 0 | (100) | n.s. |
| **Operating Income** | **10,771** | **9,787** | **+10.1%** |
| Share of Earnings of Equity-Method Entities | 633 | 589 | +7.5% |
| Other Non Operating Items | (194) | 3 | n.s. |
| **Non Operating Items** | **439** | **592** | **-25.8%** |
| **Pre-Tax Income** | **11,210** | **10,379** | **+8.0%** |
| Corporate Income Tax | (3,095) | (3,335) | -7.2% |
| Net Income Attributable to Minority Interests | (413) | (350) | +18.0% |
| **Net Income Attributable to Equity Holders** | **7,702** | **6,694** | **+15.1%** |
| **Cost/Income** | **67.7%** | **68.1%** | **-0.4 pt** |

## RISE IN INCOME AND SOLID CAPITAL GENERATION

BNP Paribas delivered a good overall performance this year, showing the strength of its integrated and diversified business model.

Revenues totalled EUR 43,411 million, up by 1.1% compared to 2015 despite the low interest rate environment and a lacklustre market context this year. They included this year the exceptional impact of +EUR 597 million of the capital gain from the sale of Visa Europe shares as well as the -EUR 59 million in Own Credit Adjustment (OCA) and own credit risk included in derivatives (DVA) (+EUR 314 million in 2015).

Revenues were up by 0.2% in the operating divisions and by 0.9% at constant scope and exchange rates given an unfavourable exchange rate. They were down by 0.5% in Domestic Markets[1] (-1.2% at constant scope and exchange rates) due to the low interest rate environment, rose by 1.2% at International Financial Services (+2.7% at constant scope and exchange rates) and decreased by 0.3% at CIB but were up by 1.2% at constant scope and exchange rates despite a particularly challenging market environment in the first quarter of 2016.

Operating expenses, which amounted to EUR 29,378 million, were well contained (+0.4% compared to 2015). They included exceptional items for a total of 749 million euro impact (EUR 862 million in 2015): EUR 159 million in the acquisitions' restructuring costs[2] (EUR 171 million in 2015), EUR 395 million in CIB transformation costs (0 in 2015), EUR 144 million in restructuring costs related to the businesses[3] (0 in 2015) and the EUR 52 million compulsory contribution to the resolution process of 4 Italian banks (EUR 69 million in 2015). They no longer included any costs related to the Simple & Efficient plan (EUR 622 million in 2015): in line with the target, the final costs related to this plan were booked in the fourth quarter 2015.

The operating expenses of the operating divisions were up by 1.0%: +2.3% for Domestic Markets[1], +2.3% for International Financial Services and -1.8% for CIB. At constant scope and exchange rates, they rose by 0.5%[4] for Domestic Markets, by 3.6%[4] for International Financial Services and 0.1% for CIB. They included the impact of new regulations and of the strengthening of compliance but benefited from the success of the Simple & Efficient savings plan which offset the natural costs' drift, as well as from the first effects of CIB's savings plan.

The Group's gross operating income was up thus by 2.6%, at EUR 14,033 million.

*(1) Including 100% of Private Banking in the domestic networks (excluding PEL/CEL effects).*

*(2) LaSer, Bank BGZ, DAB Bank and GE LLD.*

*(3) BNL bc (EUR 50 million), Belgian Retail Banking (EUR 80 million), Wealth and Asset Management (EUR 7 million), Corporate Centre (EUR 7 million).*

*(4) Excluding exceptional costs.*

The cost of risk was down significantly by 14.1% due in particular to the good control of risk at loan origination, the low interest rate environment and the continued improvement in Italy. It came to EUR 3,262 million (EUR 3,797 million in 2015) or 46 basis points of outstanding customer loans.

The Group's operating income rose by 10.1% to EUR 10,771 million (EUR 9,787 million in 2015).

Non operating items totalled +EUR 439 million (+EUR 592 million in 2015). They included this year -EUR 127 million[(1)] in goodwill impairment (-EUR 993 million in goodwill impairments in 2015[(2)]). Non operating items also included in 2015 a +EUR 716 million capital gain from the sale of the residual stake in Klépierre-Corio, a +EUR 123 million dilution capital gain due to the merger between Klépierre and Corio and a +EUR 94 million capital gain from the sale of a non-strategic stake.

Pre-tax income thus came to EUR 11,210 million compared to EUR 10,379 million in 2015 (+8.0%).

Net income attributable to equity holders was EUR 7,702 million, up by 15.1% compared to 2015. Excluding one-off items[(3)], it came to EUR 7,802 million (+6.3%). The return on equity was 9.3% (9.4% excluding one-off items). The return on tangible equity came to 11.1% (11.2% excluding one-off items). The net earnings per share was at EUR 6.0.

At 31 December 2016, the fully loaded Basel 3 common equity Tier 1 ratio[(4)] was 11.5%, up by 60 basis points compared to 31 December 2015, illustrating the solid capital generation of the Group. The fully loaded Basel 3 leverage ratio[(5)] came to 4.4% (+40 basis points compared to 31 December 2015). The Liquidity Coverage Ratio was 123% at 31 December 2016. Lastly, the Group's immediately available liquidity reserve was EUR 305 billion (EUR 266 billion as at 31 December 2015), equivalent to over one year of room to manoeuvre in terms of wholesale funding.

The net book value per share reached 73.9 euros, equivalent to a compounded annual growth rate of 6.2% 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 EUR 2.70 per share to be paid in cash, equivalent to a 45% pay-out ratio which is in line with the objective of the plan.

The Group is actively implementing the remediation plan agreed as part of the comprehensive settlement with the US authorities and is continuing to reinforce its compliance and control procedures.

The Group's good overall performance this year illustrates the success of the 2014-2016 business development plan. The average annual revenue growth was 4.0% over the period and the target of 10% return on equity, calculated on the basis of a CET1 ratio of 10%, was exceeded[(6)].

The Group unveiled the main highlights of its 2017-2020 business development plan. The plan leverages the strength of the integrated and diversified business model and takes into account regulatory constraints which will continue to grow during the period in the current Basel 3 regulatory framework. It is designed to build the bank of the future by continuing the development of the businesses and implementing an ambitious programme of new customer experience, digital transformation and savings. The target is thus to achieve more than 6.5% average annual growth of net income until 2020, a CET1 of 12%[(7)] in 2020 and a 10% return on equity at that date.

### 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) Full goodwill impairment of BGZ.*

*(2) Of which BNL bc's full goodwill impairment: -EUR 917m.*

*(3) Effect of exceptional items after tax: -EUR 100 million in 2016, -EUR 644 million in 2015.*

*(4) Ratio taking into account all the CRD 4 rules with no transitory provisions.*

*(5) Ratio taking into account all the CRD 4 rules at 2019 with no transitory provisions, calculated according to the delegated act of the European Commission dated 10 October 2014.*

*(6) 10.3% of return on equity in 2016 (excluding one-off items) on the basis of a CET1 ratio of 10%.*

*(7) With a constant regulatory framework.*

# 3.2 Core business results

## RETAIL BANKING & SERVICES

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **30,651** | **30,552** | **+0.3%** |
| Operating Expenses and Dep. | (19,880) | (19,460) | +2.2% |
| **Gross Operating Income** | **10,771** | **11,092** | **-2.9%** |
| Cost of Risk | (3,005) | (3,533) | -14.9% |
| **Operating Income** | **7,765** | **7,559** | **+2.7%** |
| Share of Earnings of Equity-Method Entities | 530 | 509 | +4.1% |
| Other Non Operating Items | 10 | 1 | n.s. |
| **Pre-Tax Income** | **8,305** | **8,069** | **+2.9%** |
| Cost/Income | 64.9% | 63.7% | +1.2 pt |
| Allocated Equity *(€bn)* | 49.0 | 48.4 | +1.4% |

*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.*



In order to ensure the comparability with 2016 results, 2015 results have been restated following the restatement made on 29 March 2016. As a reminder, these changes do not affect Group results as a whole but only their analytical breakdown.

## DOMESTIC MARKETS

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **15,715** | **15,797** | **-0.5%** |
| Operating Expenses and Dep. | (10,629) | (10,393) | +2.3% |
| **Gross Operating Income** | **5,086** | **5,404** | **-5.9%** |
| Cost of Risk | (1,515) | (1,812) | -16.4% |
| **Operating Income** | **3,572** | **3,592** | **-0.6%** |
| Share of Earnings of Equity-Method Entities | 54 | 50 | +8.8% |
| Other Non Operating Items | 2 | (34) | n.s. |
| **Pre-Tax Income** | **3,628** | **3,608** | **+0.6%** |
| Income Attributable to Wealth and Asset Management | (246) | (273) | -9.9% |
| **Pre-Tax Income of Domestic Markets** | **3,382** | **3,335** | **+1.4%** |
| Cost/Income | 67.6% | 65.8% | +1.8 pt |
| Allocated Equity *(€bn)* | 23.0 | 22.7 | +1.3% |

*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 2016, Domestic Markets' outstanding loans rose by 2.5% compared to 2015 due to a good pick-up in demand. Deposits were up by 6.4% driven by a strong growth across all the networks. The sales and marketing drive was reflected in particular by growth in Private Banking's assets under management (+5.4% compared to 31 December 2015).

The operating division expanded its digital offering with the development of new customer journeys that provide a new, seamless and value added banking experience and the launch of new services. For example, the merger between Wa! and Fivory (Crédit Mutuel[(1)]), will lead to the launch in 2017, in partnership with Carrefour, Auchan and Total, among others, of a single universal mobile payment solution combining payment, loyalty programmes and discount offers. Hello bank! saw a rapid rise in the number of its clients to 2.5 million (+200,000 compared to the number as at 31 December 2015), and already generates 9.8% of revenues of individual clients[(2)].

Lastly, the operating division continued to transform its network by optimising the footprint and rolling out new branch formats.

At EUR 15,715 million, revenues[(3)] were slightly down (-0.5%) compared to 2015. In addition to the impact of persistently low interest rates on interest margins, there was a decrease in financial fees due to an unfavourable market context this year. BRB and the specialised businesses however reported good performance and grew their revenues.

Operating expenses[(3)] (EUR 10,629 million) were up by 2.3% compared to last year. Excluding exceptional items[(4)], they rose by 1.2%, driven by growing business units (Arval, Leasing Solutions). The effect of cost saving measures was partly offset by the impact of the evolution of banking taxes and contributions.

Gross operating income[(3)] thus decreased by 5.9%, at EUR 5,086 million, compared to last year.

The cost of risk was down significantly (-16.4% compared to 2015), in particular due to the significant decline 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[(5)] that was up 1.4% compared to 2015, at EUR 3,382 million.



## FRENCH RETAIL BANKING (FRB)

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **6,401** | **6,597** | **-3.0%** |
| *Incl. Net Interest Income* | *3,676* | *3,804* | *-3.4%* |
| *Incl. Commissions* | *2,725* | *2,793* | *-2.4%* |
| Operating Expenses and Dep. | (4,673) | (4,641) | +0.7% |
| **Gross Operating Income** | **1,728** | **1,956** | **-11.7%** |
| Cost of Risk | (342) | (343) | -0.2% |
| **Operating Income** | **1,386** | **1,613** | **-14.1%** |
| Non Operating Items | 3 | 4 | -29.8% |
| **Pre-Tax Income** | **1,389** | **1,617** | **-14.1%** |
| Income Attributable to Wealth and Asset Management | (138) | (159) | -13.4% |
| **Pre-Tax Income of French Retail Banking** | **1,251** | **1,458** | **-14.2%** |
| Cost/Income | 73.0% | 70.3% | +2.7 pt |
| Allocated Equity *(€bn)* | 8.7 | 8.3 | +5.5% |

*Including 100% of French Private Banking for the Revenues to Pre-tax income line items (excluding PEL/CEL effects).*

For the whole of 2016, FRB's outstanding loans rose by 0.3% compared to 2015 despite the impact of early repayments. There was a good pick-up in outstandings in the second half of the year which are thus up by 4.2% in the fourth quarter 2016 compared to the same quarter in 2015 with a rise in loans to individual and corporate clients. Deposits rose by 5.4% compared to 2015 driven by strong growth in current account deposits. The pick-up of the sales and marketing drive was also illustrated by the good performance of life insurance (rise of 2.6% in outstandings compared to 31 December 2015) and Private Banking (5.6% growth in assets under management thanks to strong net asset inflows of EUR 2.8 billion). The business unit implemented new customer journeys with the BuyMyHome app which notably enables customers to simulate loans for home purchase.

*(1) CM11-CIC.*

*(2) FRB, BNL bc, BRB and Personal Investors, excluding private banking.*

*(3) Including 100% of Private Banking in France (excluding PEL/CEL effects), Italy, Belgium and Luxembourg.*

*(4) EUR 50 million in restructuring costs for BNL bc (EUR 20 million in the fourth quarter 2015) and EUR 80 million for Belgian Retail Banking (0 in the fourth quarter 2015); BNL bc's EUR 47 million contribution to the resolution process of 4 Italian banks (EUR 65 million in the fourth quarter 2015).*

*(5) Excluding PEL/CEL effects (-EUR 2 million in 2016, -EUR 31 million in 2015).*

Revenues[1] totalled EUR 6,401 million, down by 3.0% compared to 2015. Net interest income[1] was down by 3.4% due to the impact of persistently low interest rates. Fees[1] were down for their part by 2.4% (-1.4% excluding the impact of a non-recurring item) with a decrease in financial fees due to the unfavourable market environment. Financial fees did though pick-up in the fourth quarter of the year (+4.6% compared to the fourth quarter 2015[2]).

Operating expenses[1], at EUR 4,673 million, were contained and rose by only 0.7% compared to 2015 despite the rise in taxes and regulatory costs.

Gross operating income[1] thus came to EUR 1,728 million, down by 11.7% compared to last year.

The cost of risk[1] was still low, at EUR 342 million (EUR 343 million in 2015). It was 24 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 1,251 million in pre-tax income[3] (-14.2% compared to 2015) due to the lacklustre environment this year and the impact of persistently low interest rates. The business unit recorded however a good pick-up in its sales and marketing drive.

## BNL BANCA COMMERCIALE (BNL BC)



| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **2,972** | **3,150** | **-5.7%** |
| Operating Expenses and Dep. | (1,885) | (1,903) | -0.9% |
| **Gross Operating Income** | **1,086** | **1,247** | **-12.9%** |
| Cost of Risk | (959) | (1,248) | -23.1% |
| **Operating Income** | **127** | **(2)** | **n.s.** |
| Non Operating Items | 0 | (1) | n.s. |
| **Pre-Tax Income** | **127** | **(3)** | **n.s.** |
| Income Attributable to Wealth and Asset Management | (37) | (41) | -9.5% |
| **Pre-Tax Income of BNL bc** | **90** | **(44)** | **n.s.** |
| Cost/Income | 63.4% | 60.4% | +3.0 pt |
| Allocated Equity *(€bn)* | 5.7 | 6.5 | -11.3% |

*Including 100% of Italian Private Banking for the Revenues to Pre-tax income line items.*

For the whole of 2016, BNL bc's outstanding loans were up by 0.5% compared to 2015 with a gradual recovery in volumes, in particular on individual clients. Deposits rose by 12.6% with a sharp rise in current accounts. BNL bc delivered a good performance in off balance sheet savings: life insurance outstandings were up by 9.8% and mutual fund outstandings by 7.2% compared to 31 December 2015. BNL bc continued to expand Private Banking with EUR 1.2 billion in net asset inflows. The business unit implemented new customer journeys with for example the #Digibiz app that offers a wide range of online services to corporate clients.

Revenues[4] were down by 5.7% compared to 2015, to EUR 2,972 million. Net interest income[4] was down by 7.1% due to the persistently low interest rate environment and the residual effect of the repositioning, finalised in 2016, on the better corporate clients. Fees[4] were down by -2.9% with a decrease in financial fees due to the unfavourable market context.

Operating expenses[4], at EUR 1,885 million, were down by 0.9%. Excluding the impact of non-recurring items[5], they were down by 1.7% thanks to the effect of cost reduction measures.

Gross operating income[4] thus totalled EUR 1,086 million, down by 12.9% compared to last year.

The cost of risk[4], at 124 basis points of outstanding customer loans, was down by EUR 289 million compared to 2015 with a gradual 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 posted EUR 90 million of pre-tax income, a strong improvement compared to 2015 (+EUR 134 million).

*(1) Including 100% of Private Banking in France (excluding PEL/CEL effects).*

*(2) Excluding a non-recurring item.*

*(3) Excluding PEL/CEL effects (-EUR 2 million in 2016, -EUR 31 million in 2015).*

*(4) With 100% of Private Banking in Italy.*

*(5) Restructuring costs: EUR 50 million (EUR 20 million in the fourth quarter 2015); compulsory contribution to the resolution process of 4 Italian banks: EUR 47 million (EUR 65 million in the fourth quarter 2015).*

## BELGIAN RETAIL BANKING (BRB)

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **3,661** | **3,552** | **+3.1%** |
| Operating Expenses and Dep. | (2,582) | (2,462) | +4.9% |
| **Gross Operating Income** | **1,079** | **1,090** | **-1.0%** |
| Cost of Risk | (98) | (85) | +15.1% |
| **Operating Income** | **981** | **1,005** | **-2.4%** |
| Non Operating Items | 6 | (9) | n.s. |
| **Pre-Tax Income** | **987** | **996** | **-0.9%** |
| Income Attributable to Wealth and Asset Management | (69) | (68) | +1.1% |
| **Pre-Tax Income of Belgian Retail Banking** | **918** | **928** | **-1.1%** |
| Cost/Income | 70.5% | 69.3% | +1.2 pt |
| Allocated Equity *(€bn)* | 4.7 | 4.5 | +6.2% |

*Including 100% of Belgian Private Banking for the Revenues to Pre-tax income line items.*

For the whole of 2016, BRB reported sustained business activity. Loans were up by 4.7% compared to 2015 with growth in loans to individual customers (in particular mortgages) and to SMEs. For their part, deposits rose by 5.8% thanks in particular to strong growth in current accounts. The business continued to develop digital banking with new features of the Easy Banking app and Easy Banking Web which now have 1 million and 2.4 million users respectively. The business unit also implemented new customer journeys with the Home on the Spot app which allows customers to simulate loans and offers tools assisting them in the context of home purchase projects.

Revenues[(1)] were up by 3.1% compared to 2015, at EUR 3,661 million: net interest income[(1)] rose by 5.9% as a result of volume growth and margins holding up well, but fees[(1)] were down by 4.8% due to a decrease in financial fees as a result of the unfavourable market context.

Operating expenses[(1)] rose by 4.9% compared to 2015, to EUR 2,582 million. Excluding the impact of exceptional items[(2)] and the evolution in banking taxes, they rose by only 0.9%, reflecting the good cost control.

At EUR 1,079 million, gross operating income[(1)] was down by 1.0% compared to last year (+7.0% excluding exceptional items and the evolution in banking taxes).

The cost of risk[(1)], at EUR 98 million or 10 basis points of outstanding customer loans, was very low and rose by only EUR 13 million compared to 2015.

Thus, after allocating one-third of Belgian Private Banking's net income to the Wealth Management business (International Financial Services division), BRB generated EUR 918 million in pre-tax income, down by 1.1% compared to last year but up by 8.0% excluding exceptional items and evolution in banking taxes, which reflects the business unit's good performance.

## OTHER DOMESTIC MARKETS BUSINESS UNITS (ARVAL, LEASING SOLUTIONS, PERSONAL INVESTORS AND LUXEMBOURG RETAIL BANKING)

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **2,681** | **2,498** | **+7.3%** |
| Operating Expenses and Dep. | (1,488) | (1,387) | +7.3% |
| **Gross Operating Income** | **1,193** | **1,111** | **+7.4%** |
| Cost of Risk | (115) | (136) | -15.2% |
| **Operating Income** | **1,078** | **975** | **+10.5%** |
| Share of Earnings of Equity-Method Entities | 43 | 36 | +18.8% |
| Other Non Operating Items | 5 | (14) | n.s. |
| **Pre-Tax Income** | **1,125** | **997** | **+12.8%** |
| Income Attributable to Wealth and Asset Management | (2) | (5) | -55.2% |
| **Pre-Tax Income of Other Domestic Markets** | **1,123** | **993** | **+13.1%** |
| Cost/Income | 55.5% | 55.5% | +0.0 pt |
| Allocated Equity *(€bn)* | 3.8 | 3.5 | +8.5% |

*Including 100% of Private Banking in Luxembourg for the Revenues to Pre-tax income line items.*

*(1) With 100% of Private Banking in Belgium.*

*(2) In particular EUR 80 million in restructuring costs (0 in 2015) partly offset by a EUR 30 million provision write-back.*

For the whole of 2016, the specialised businesses of Domestic Markets showed a good overall drive. The business activity of Arval was sustained and the financed fleet showed strong growth at constant scope (+10.1% compared to 2015) bringing the number of financed vehicles to over 1 million. The business unit actively implemented the integration of GE Fleet Services. The financing outstandings of Leasing Solutions were up (+4.8% at constant scope and exchange rates) thanks to the good growth in the core business, despite the continued reduction of the non-strategic portfolio. Personal Investors saw a good level of new clients' acquisition.

Luxembourg Retail Banking's outstanding loans rose by 1.5% compared to 2015, due in particular to mortgages and deposits were up by 14.4% with good inflows notably on the corporate segment.

Revenues[1] on the whole were up by 7.3% compared to 2015, at EUR 2,681 million, reflecting the effect of the acquisition of GE Fleet Services in Europe. At constant scope and exchange rates, they rose by 3.4% with a rise in all the business units.

Operating expenses[1] rose by 7.3% compared to 2015, at EUR 1,488 million. At constant scope and exchange rates, they were up by only 1.9%, the effect of the business development being partly offset by the first cost synergies between DAB Bank and Consors bank! in Germany.

The cost of risk[1] was down by EUR 21 million compared to 2015, at EUR 115 million.

Thus, the contribution of these four business units to Domestic Markets' pre-tax income, after allocating one-third of Luxembourg Private Banking's net income to the Wealth Management business (International Financial Services division), was EUR 1,123 million, up sharply compared to 2015: +13.1% (+9.2% at constant scope and exchange rates).



## INTERNATIONAL FINANCIAL SERVICES

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **15,479** | **15,295** | **+1.2%** |
| Operating Expenses and Dep. | (9,544) | (9,334) | +2.3% |
| **Gross Operating Income** | **5,935** | **5,961** | **-0.4%** |
| Cost of Risk | (1,496) | (1,722) | -13.1% |
| **Operating Income** | **4,439** | **4,239** | **+4.7%** |
| Share of Earnings of Equity-Method Entities | 477 | 460 | +3.6% |
| Other Non Operating Items | 8 | 35 | -76.0% |
| **Pre-Tax Income** | **4,924** | **4,734** | **+4.0%** |
| Cost/Income | 61.7% | 61.0% | +0.7 pt |
| Allocated Equity *(€bn)* | 26.1 | 25.7 | +1.4% |

For the whole of 2016, the International Financial Services' businesses reported a good sales and marketing drive: Personal Finance had a sustained business activity, Europe-Mediterranean and BancWest posted good growth in their activity while the Insurance and Wealth & Asset Management businesses generated good asset inflows. The division's sales and marketing drive was also illustrated by the development of digital offering and innovations in all the businesses.

At EUR 15,479 million, revenues were up by 1.2% compared to 2015. At constant scope and exchange rates, they were up by +2.7% with growth in International Retail Banking, Insurance and Personal Finance, and Wealth & Asset Management held up well.

Operating expenses (EUR 9,544 million) were up by 2.3% compared to last year. At constant scope and exchange rates, they were up by 3.7%.

Gross operating income thus totalled EUR 5,935 million, down by 0.4% compared to last year (+1.2% at constant scope and exchange rates).

The cost of risk was EUR 1,496 million, down by 226 million compared to 2015 due in particular to the decline in the cost of risk at Personal Finance.

Operating income thus totalled EUR 4,439 million, up by 4.7% compared to last year (+5.8% at constant scope and exchange rates).

Thus, International Financial Services' pre-tax income increased to EUR 4,924 million (+4.0% compared to 2015 and +5.8% at constant scope and exchange rates).

*(1) With 100% of Private Banking in Luxembourg.*

## PERSONAL FINANCE

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **4,679** | **4,661** | **+0.4%** |
| Operating Expenses and Dep. | (2,298) | (2,315) | -0.7% |
| **Gross Operating Income** | **2,381** | **2,346** | **+1.5%** |
| Cost of Risk | (979) | (1,176) | -16.7% |
| **Operating Income** | **1,401** | **1,170** | **+19.8%** |
| Share of Earnings of Equity-Method Entities | 42 | 74 | -43.7% |
| Other Non Operating Items | (1) | 0 | n.s. |
| **Pre-Tax Income** | **1,442** | **1,244** | **+15.9%** |
| Cost/Income | 49.1% | 49.7% | -0.6 pt |
| Allocated Equity *(€bn)* | 4.9 | 4.5 | +9.4% |

For the whole of 2016, Personal Finance continued its strong sales and marketing drive. Outstanding loans grew by +8.8%[(1)] compared to 2015 in connection with the rise in demand and the effect of new commercial agreements. The business unit signed new partnership agreements this year in banking (Banco CTT in Portugal), in retail (Eggo Kitchen House in Belgium, Ikea and Mr Bricolage in France) and telecoms (Yoigo in Spain). Outstanding car loans rose by 16.5% compared to 2015[(2)] and the business unit forged new business deals with Honda in France and Volvo in Italy. Lastly, Personal Finance continued to expand the digital processing of loans with 3.1 million applications signed digitally, up 80% over last year.

Revenues were up by 0.4% compared to 2015, at EUR 4,679 million with an unfavourable foreign exchange effect. At constant scope and exchange rates, they were up by 2.0% under the opposite influence of a rise in volumes and an increase in products that have a better risk profile. There was a good drive in Germany, Spain and Italy.

Operating expenses were down by 0.7% compared to 2015, at EUR 2,298 million. They were up by 1.0% at constant scope and exchange rates, reflecting good cost control.

Gross operating income thus totalled EUR 2,381 million, up by 1.5% compared to last year (+3.0% at constant scope and exchange rates).

At EUR 979 million, or 159 basis points of outstanding customer loans, the business recorded a sharp decline in the cost of risk (-EUR 196 million compared to 2015) due to the low interest rate environment and the growing positioning on products with a better risk profile (car loans in particular) as well as EUR 50 million in provisions write-backs following sales of doubtful loans.

Personal Finance's pre-tax income was thus EUR 1,442 million, up sharply compared to 2015: +15.9% (+17.9% at constant scope and exchange rates).

## EUROPE-MEDITERRANEAN

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **2,513** | **2,516** | **-0.1%** |
| Operating Expenses and Dep. | (1,705) | (1,707) | -0.1% |
| **Gross Operating Income** | **808** | **809** | **-0.0%** |
| Cost of Risk | (437) | (466) | -6.2% |
| **Operating Income** | **371** | **342** | **+8.4%** |
| Non Operating Items | 197 | 174 | +13.3% |
| **Pre-Tax Income** | **568** | **516** | **+10.0%** |
| Income Attributable to Wealth and Asset Management | (2) | (3) | -18.7% |
| **Pre-Tax Income of Europe-Mediterranean** | **566** | **513** | **+10.2%** |
| Cost/Income | 67.8% | 67.9% | -0.1 pt |
| Allocated Equity *(€bn)* | 5.2 | 5.4 | -2.5% |

*Including 100% of Turkish Private Banking for the Revenue to Pre-tax income line items.*

*(1) At constant scope and exchange rates.*

*(2) Outstandings at the end of the period at historical scope and constant exchange rates.*

For the whole of 2016, Europe-Mediterranean reported good business growth. Outstanding loans rose by 5.5%[(1)] compared to 2015 with a rise in all regions. Deposits grew by 9.8%[(1)], with good growth in all countries. There was a sustained development in the digital offering with 350,000 clients for CEPTETEB in Turkey and over 200,000 clients for BGZ OPTIMA in Poland.

At EUR 2,513 million, revenues[(2)] were up by 6.0%[(1)] compared to 2015, in connection with the increase in volumes.

Operating expenses[(2)], at EUR 1,705 million, rose by 4.6%[(1)] compared to last year. Excluding the rise in banking taxes and contributions in Poland[(3)], they were up by only 3.7%[(1)], reflecting the good control of expenses and the effect of cost synergies in Poland.

The cost of risk[(2)] totalled EUR 437 million, or 112 basis points of outstanding customer loans, largely stable compared to 2015 (+0.7%[(1)]).

Given the rise in the contribution from associated companies and after allocating one-third of Turkish Private Banking's net income to the Wealth Management business, Europe-Mediterranean generated EUR 566 million in pre-tax income, up sharply (+19.9%[(4)] compared to last year).

## BANCWEST



| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **2,984** | **2,834** | **+5.3%** |
| Operating Expenses and Dep. | (2,038) | (1,882) | +8.3% |
| **Gross Operating Income** | **947** | **952** | **-0.5%** |
| Cost of Risk | (85) | (50) | +69.9% |
| **Operating Income** | **862** | **902** | **-4.4%** |
| Non Operating Items | 16 | 31 | -48.6% |
| **Pre-Tax Income** | **878** | **933** | **-5.9%** |
| Income Attributable to Wealth and Asset Management | (15) | (10) | +52.1% |
| **Pre-Tax Income of BancWest** | **862** | **923** | **-6.6%** |
| Cost/Income | 68.3% | 66.4% | +1.9 pt |
| Allocated Equity *(€bn)* | 6.3 | 6.3 | +1.0% |

*Including 100% of US Private Banking for the Revenues to Pre-tax income line items.*

For the whole of 2016, BancWest continued its growth in a favourable economic context.

Loans were up by 8.5%[(1)] compared to 2015, both for corporate and individual customers. Deposits were up by 7.9%[(1)] with strong rise in current and savings accounts. BancWest continued to expand Private Banking with assets under management totalling 12.1 billion US dollars as at 31 December 2016 (+19% compared to 31 December 2015).

The year was also marked for BancWest by the success of the Comprehensive Capital Analysis and Review (CCAR) and by the success of the initial public offering of First Hawaiian Bank that continues to be fully consolidated so long as the Group maintains control over it.

Revenues[(5)], at EUR 2,984 million, rose by 5.5%[(1)] compared to 2015, the increase in volumes being partly offset by the effect of lower interest rates in the United States for the whole of 2016 compared to 2015.

At EUR 2,038 million, operating expenses[(5)] rose by 8.5%[(1)] compared to 2015. Excluding regulatory costs[(6)] and non-recurring costs[(7)], they grew by 6.9% as a result of the strengthening of the commercial set up (private banking, consumer finance).

The cost of risk[(5)] (EUR 85 million) was still at a low level, at 14 basis points of outstanding customer loans. It was however up by EUR 35 million compared to the particularly low level in 2015.

Thus, after allocating one-third of US Private Banking's net income to the Wealth Management business, BancWest generated EUR 862 million in pre-tax income (-4.7%[(8)] compared to 2015).

*(1) At constant scope and exchange rates.*

*(2) With 100% of Private Banking in Turkey.*

*(3) Introduction of a banking tax in Poland in 2016: EUR 44 million (one-off contribution to the deposit guarantee fund & to the support fund for borrowers for EUR 31 million in 2015).*

*(4) At constant scope and exchange rates (+10.2% at historical scope and exchange rates).*

*(5) With 100% of Private Banking in the United States.*

*(6) CCAR and Intermediate Holding Company.*

*(7) Costs related to the initial public offering of First Hawaiian Bank and a provision for an IT project.*

*(8) At constant scope and exchange rates (-6.6% at historical scope and exchange rates).*

## INSURANCE AND WEALTH & ASSET MANAGEMENT

### INSURANCE

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **2,382** | **2,320** | **+2.7%** |
| Operating Expenses and Dep. | (1,201) | (1,156) | +3.8% |
| **Gross Operating Income** | **1,181** | **1,164** | **+1.5%** |
| Cost of Risk | 2 | (5) | n.s. |
| **Operating Income** | **1,183** | **1,158** | **+2.1%** |
| Share of Earnings of Equity-Method Entities | 189 | 170 | +10.9% |
| Other Non Operating Items | (3) | 1 | n.s. |
| **Pre-Tax Income** | **1,369** | **1,329** | **+3.0%** |
| Cost/Income | 50.4% | 49.8% | +0.6 pt |
| Allocated Equity *(€bn)* | 7.5 | 7.4 | +1.3% |

### WEALTH & ASSET MANAGEMENT

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **2,977** | **3,012** | **-1.2%** |
| Operating Expenses and Dep. | (2,341) | (2,308) | +1.4% |
| **Gross Operating Income** | **636** | **704** | **-9.7%** |
| Cost of Risk | 3 | (25) | n.s. |
| **Operating Income** | **639** | **679** | **-5.9%** |
| Share of Earnings of Equity-Method Entities | 46 | 43 | +7.3% |
| Other Non Operating Items | 0 | 3 | n.s. |
| **Pre-Tax Income** | **685** | **725** | **-5.4%** |
| Cost/Income | 78.6% | 76.6% | +2.0 pt |
| Allocated Equity *(€bn)* | 2.1 | 2.2 | -3.9% |

Insurance and Wealth & Asset Management posted, in a lacklustre context in 2016, a good overall performance with good asset inflows in all the business units.

Their assets under management[(1)] reached, as at 31 December 2016, the record level of EUR 1,010 billion (+5.8% compared to 31 December 2015). They rose by EUR 56 billion compared to 31 December 2015 due in particular to very good net asset inflows totalling EUR 34.9 billion (strong asset inflows at Wealth Management in Asia, France, Italy and at BancWest, very good asset inflows in Asset Management, in particular into diversified and bond funds; good asset inflows in Insurance particularly in unit-linked accounts).

As at 31 December 2016, assets under management[(1)] broke down as follows: Asset Management (EUR 416 billion), Wealth Management (EUR 344 billion), Insurance (EUR 226 billion) and Real Estate Services (EUR 24 billion).

The implementation of new customer journeys and digital transformation is illustrated, for Wealth Management, by the launch of new digital services ("myAdvisory" a portfolio management mobile app and "myBioPass", a unique key to access digital banking services) and, for Insurance, by 70 digital projects to transform services and improve performances.

Insurance's revenues, at EUR 2,382 million, were up by 2.7% compared to 2015, due to the rise in protection insurance revenues in Europe and in Latin America. Operating expenses, at EUR 1,201 million, rose by 3.8%, due to the business development and the rise in regulatory costs. After taking into account the good performance of associated companies, pre-tax income was thus up by 3.0% compared to last year, at EUR 1,369 million.

Wealth and Asset Management's revenues, at EUR 2,977 million, held up well in a lacklustre context (-1.2% compared to 2015). Operating expenses, at EUR 2,341 million, were up by 1.4% as a result in particular of the development of Wealth Management. At EUR 685 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 thus down by 5.4% compared to 2015.

*(1) Including distributed assets.*

## CORPORATE AND INSTITUTIONAL BANKING (CIB)

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **11,469** | **11,506** | **-0.3%** |
| Operating Expenses and Dep. | (8,309) | (8,458) | -1.8% |
| **Gross Operating Income** | **3,160** | **3,049** | **+3.6%** |
| Cost of Risk | (217) | (212) | +2.3% |
| **Operating Income** | **2,943** | **2,836** | **+3.8%** |
| Share of Earnings of Equity-Method Entities | 20 | 34 | -39.8% |
| Other Non Operating Items | (1) | 127 | n.s. |
| **Pre-Tax Income** | **2,962** | **2,997** | **-1.2%** |
| Cost/Income | 72.4% | 73.5% | -1.1 pt |
| Allocated Equity *(€bn)* | 22.2 | 21.6 | +2.8% |



For the whole of 2016, CIB's business units continued to grow in their markets and the business reported solid growth in the second half of the year after a particularly challenging context in the first quarter. The division actively implemented its transformation plan, on track with the defined timetable, and launched transformation initiatives and cost-saving measures in all regions.

Revenues of the business, at EUR 11,469 million, were on the whole virtually stable compared to 2015 (-0.3%) but they rose by 1.2% at constant scope and exchange rates.

At EUR 5,650 million, Global Markets' revenues were down by 1.1% compared to 2015 but up by 1.6% at constant scope and exchange rates, showing a good recovery of the business after a particularly challenging market context in Europe at the beginning of the year. The revenues of FICC[1], at EUR 3,860 million, were up by 10.0% compared to 2015 with good performance of rates and credit. The business unit reported sustained business performances and gained market share. It ranked number 1 for all bond issues in euros and number 9 for all international issues. At EUR 1,791 million, Equity and Prime Services' revenues were down for their part by 18.7% compared to a high base in 2015 due to the less favourable context in the equity markets. The VaR, which measures market risks, remained very low (EUR 34 million).

Securities Services' revenues, at EUR 1,824 million, were up by 1.9% (+2.2% at constant scope and exchange rates), in connection with the rise in assets under custody, reflecting good business development.

Corporate Banking's revenues, at EUR 3,994 million, were stable (-0.3% compared to 2015 but +0.3% at constant scope and exchange rates) with a good pick-up in business after a lacklustre context in the first quarter. Revenues remained at a good level in Europe and Asia-Pacific and grew in the Americas region. At EUR 129.4 billion, loans were up by 4.3% compared to 2015. Deposits were up sharply, at EUR 117.2 billion (+22.8% compared to 2015) in connection with the good development of cash management. The business unit continued to strengthen its positions and confirmed its number 1 ranking in Europe for syndicated financing. It gained new clients and developed transaction banking business (trade finance, *etc.*), also confirming its global number 4 ranking in cash management.

At EUR 8,309 million, CIB's operating expenses were down by 1.8% compared to 2015 (stable at constant scope and exchange rates). They benefited from cost saving measures (about EUR 350 million in savings in 2016) but recorded the impact of the rise in banking taxes and regulatory costs.

CIB's cost of risk totalled EUR 217 million (+EUR 5 million compared to 2015). Corporate Banking's cost of risk was low at EUR 292 million or 25 basis points of outstanding customer loans (+EUR 154 million increase compared to the very low level in 2015 which benefited from provision write-backs). Global Markets' cost of risk was a EUR 72 million net write-back compared to an 80 million euro provision in 2015.

The operating income of CIB was thus up by 3.8% (+4.6% at constant scope and exchange rates), at EUR 2,943 million.

CIB generated, though, income that was down by 1.2%, at EUR 2,962 million, compared to last year which had recorded a one-off capital gain of EUR 74 million from the sale of a non-strategic stake (+3.4% at constant scope and exchange rates).

*(1) Fixed Income, Currencies, and Commodities.*

## GLOBAL MARKETS

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **5,650** | **5,710** | **-1.1%** |
| *Incl. FICC* | *3,860* | *3,507* | *+10.0%* |
| *Incl. Equity & Prime Services* | *1,791* | *2,203* | *-18.7%* |
| Operating Expenses and Dep. | (4,355) | (4,504) | -3.3% |
| **Gross Operating Income** | **1,295** | **1,206** | **+7.4%** |
| Cost of Risk | 72 | (80) | n.s. |
| **Operating Income** | **1,367** | **1,125** | **+21.5%** |
| Share of Earnings of Equity-Method Entities | 8 | 17 | -51.4% |
| Other Non Operating Items | (3) | (15) | -77.3% |
| **Pre-Tax Income** | **1,372** | **1,127** | **+21.7%** |
| Cost/Income | 77.1% | 78.9% | -1.8 pt |
| Allocated Equity *(€bn)* | 9.0 | 9.5 | -5.1% |

## SECURITIES SERVICES

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **1,824** | **1,790** | **+1.9%** |
| Operating Expenses and Dep. | (1,503) | (1,483) | +1.3% |
| **Gross Operating Income** | **321** | **307** | **+4.8%** |
| Cost of Risk | 3 | 6 | -46.5% |
| **Operating Income** | **324** | **312** | **+3.8%** |
| Non Operating Items | 1 | (1) | n.s. |
| **Pre-Tax Income** | **325** | **312** | **+4.4%** |
| Cost/Income | 82.4% | 82.9% | -0.5 pt |
| Allocated Equity *(€bn)* | 0.8 | 0.7 | +13.1% |

## CORPORATE BANKING

| *In millions of euros* | 2016 | 2015 | 2016/2015 |
|---|---|---|---|
| **Revenues** | **3,994** | **4,007** | **-0.3%** |
| Operating Expenses and Dep. | (2,451) | (2,470) | -0.8% |
| **Gross Operating Income** | **1,544** | **1,536** | **+0.5%** |
| Cost of Risk | (292) | (138) | n.s. |
| **Operating Income** | **1,251** | **1,398** | **-10.5%** |
| Non Operating Items | 13 | 159 | -91.7% |
| **Pre-Tax Income** | **1,265** | **1,558** | **-18.8%** |
| Cost/Income | 61.4% | 61.7% | -0.3 pt |
| Allocated Equity *(€bn)* | 12.4 | 11.4 | +8.7% |

## CORPORATE CENTRE

| *In millions of euros* | 2016 | 2015 |
|---|---|---|
| **Revenues** | **1,294** | **910** |
| Operating Expenses and Dep. | (1,189) | (1,336) |
| *Incl. Restructuring and Transformation Costs* | *(561)* | *(793)* |
| **Gross Operating Income** | **105** | **(426)** |
| Cost of Risk | (39) | (51) |
| Costs related to the comprehensive settlement with US authorities | 0 | (100) |
| **Operating Income** | **66** | **(577)** |
| Share of Earnings of Equity-Method Entities | 83 | 46 |
| Other Non Operating Items | (204) | (125) |
| **Pre-Tax Income** | **(55)** | **(656)** |

For the whole of 2016, Corporate Centre revenues were EUR 1,294 million compared to EUR 910 million in 2015. They included the exceptional impact of +EUR 597 million of the capital gain from the sale of Visa Europe shares, the -EUR 59 million in Own Credit Adjustment (OCA) and own credit risk included in derivatives (DVA) (+EUR 314 million in 2015) as well as a very good contribution of Principal Investments.

Operating expenses totalled EUR 1,189 million compared to EUR 1,336 million in 2015. They included the exceptional impact of EUR 159 million in the acquisitions' restructuring costs[1] (EUR 171 million in 2015), EUR 395 million in CIB transformation costs (0 in 2015) and EUR 7 million restructuring costs (0 in 2015). They no longer included any Simple & Efficient costs (EUR 622 million in 2015): in keeping with the objective, the final costs related to this plan were booked in the fourth quarter 2015.

The cost of risk totalled EUR 39 million (EUR 51 million in 2015).

Non-operating items totalled -EUR 121 million (-EUR 79 million in 2015). They included -EUR 181 million[2] in goodwill impairments of subsidiaries' shares (-EUR 993 million in goodwill impairments in 2015[3]). Non-operating items also included in 2015 a +EUR 716 million capital gain from the sale of the residual stake in Klépierre-Corio; a +EUR 123 million dilution capital gain due to the merger between Klépierre and Corio and the +EUR 20 million share of the capital gain from the sale of a non-core investment allocated to the Corporate Centre.

The Corporate Centre's pre-tax income was -EUR 55 million compared to -EUR 656 million in 2015.

*(1) LaSer, Bank BGZ, DAB Bank and GE LLD.*

*(2) Of which -EUR 127 million for BGZ's full goodwill impairment.*

*(3) Of which BNL bc's full goodwill impairment: -EUR 917 million.*

## SUCCESS OF THE 2014-2016 BUSINESS DEVELOPMENT PLAN

The good performance of the Group this year illustrates the success of the 2014-2016 business development plan.

During the period, the Group made progress on all the major strategic priorities defined in the plan. To prepare itself for the transformations of Retail Banking, the Group has launched Hello bank!, which already has 2.5 million customers, developed digital banks in International Retail Banking, continued to adapt the branch networks and expanded Private Banking in all the networks. CIB, strengthened by Securities Services, gained market share on large corporate and institutional clients and developed transaction banking. All the businesses managed to adapt to the transformations in their environment, like BNL bc. which refocused the corporate sales and marketing approach on the better clients, already reaping the first positive effects in terms of its results, and CIB that grouped together its market businesses in Global Markets. Lastly, regional business development plans (Germany, Asia-Pacific, CIB-North America) achieved their growth targets, as well as the specialised businesses.

Average revenue growth[(1)] thus attained 4.0%[(2)] per year during the period despite a much more lacklustre environment than expected, due to very low interest rates. Organic revenue growth[(1)] was sustained (+2.2% per year on average[(2)]) thanks to the good development of the businesses and the success of the regional business development plans, despite the low interest rate environment on Domestic Markets and the impact of the reduction of the Energy & Commodities business in CIB. Targeted acquisitions (DAB Bank, GE Fleet Services Europe, 50% not yet owned by LaSer and Bank BGZ) allowed to use available capital resources, while preserving limited growth of risk-weighted assets (+0.7%[(2)] per year on average) and provided a positive contribution to the growth of revenues.

Operating expenses were well contained. They benefited from the success of the Simple & Efficient plan, which helped to generate EUR 3.3 billion in recurring savings[(3)] since it was launched in 2013, or EUR 500 million above the initial objective. They recorded however the impact of new taxes and regulations that increased by EUR 1.3 billion between 2013 and 2016. Excluding the impact of new taxes and regulations, the average annual growth of operating expenses was 2.7%[(2)] per year[(4)] and only 0.7% at constant scope and exchange rates. The jaws effect was thus positive at 1.2 point per year on average excluding new taxes and regulations.

Cost of risk was also reduced and the Group thus achieved or surpassed the main financial targets of the 2014-2016 plan with return on equity excluding exceptional items of 10.3% calculated based on a 10% CET1 ratio (for a 10% target), an 11.5% fully loaded Basel 3 common equity Tier 1 ratio and a 45% dividend pay-out ratio.

During the period, the Group carried out an active Corporate Social Responsibility policy (CSR) and introduced a new Code of conduct that lead to a large-scale online training programme for employees. Many actions by the Group, such as financing socially responsible businesses, had a positive impact on society. The Group plays an active role in energy transition: it strictly limited financing in the coal industry and successfully launched a green bond. BNP Paribas is the European leader in the Banking category for CSR criteria according to Vigeo Eiris, the extra-financial rating agency.

*(1) Excluding exceptionals (+EUR 147m in 2013, +EUR 538m in 2016).*

*(2) 2013-2016 average annual growth rate.*

*(3) Of which EUR 2.5 billion during the 2014-2016 period.*

*(4) 4.2% a year on average including new taxes and regulations.*

# 3.3 Balance sheet

## ASSETS

### OVERVIEW

The Group's consolidated assets amounted to EUR 2,077 billion at 31 December 2016, an increase of 4% from EUR 1,994.2 billion at 31 December 2015. The main components of the Group's assets are 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 88% of total assets at 31 December 2016 (89% at 31 December 2015). The 4% increase in assets is mainly due to:

- a 4% or EUR 29.7 billion increase in loans and receivables due from customers to EUR 712.2 billion at 31 December 2016;
- a 3% or EUR 8.6 billion increase in available-for-sale assets to EUR 267.6 billion at 31 December 2016;
- a 1% or EUR 6.7 billion increase in financial instruments at fair value through profit or loss, mainly due to the increase in repurchase agreements and instruments designated at fair value through profit or loss;
- a 7% or EUR 7.9 billion increase in accrued income and other assets to EUR 116 billion at 31 December 2016.

### CASH AND AMOUNTS DUE FROM CENTRAL BANKS

Cash and amounts due from central banks totalled EUR 160.4 billion at 31 December 2016, up 19% from EUR 134.5 billion at 31 December 2015.

### 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 are up 1% (or EUR 6.7 billion) compared with 31 December 2015. This increase mainly reflects a 16% or EUR 20.5 billion increase in loans and repurchase agreements to EUR 152.2 billion at 31 December 2016 and a 5% or EUR 4.6 billion increase in instruments designated at fair value through profit or loss to EUR 87.6 billion. Partially offset by a 7% or EUR 9.8 billion decrease in trading securities to EUR 123.7 billion at 31 December 2016 and by a 3% or EUR 8.5 billion decrease in derivative financial instruments to EUR 328.2 billion at 31 December 2016.

### 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 increased by EUR 8.6 billion between 31 December 2015 and 31 December 2016 and amount to EUR 267.6 billion (net of provisions).

Impairment on available-for-sale financial assets is stable to EUR 3.3 billion at 31 December 2016 from EUR 3.2 billion at 31 December 2015. 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 18 billion at 31 December 2016, compared with an unrealised gain of EUR 17.8 billion at 31 December 2015. This EUR 0.2 billion increase reflects the increase in the unrealised gain on fixed-income securities.

### LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

Loans and receivables due from credit institutions (net of impairment provisions) amount to EUR 47.4 billion at 31 December 2016, increasing by EUR 4 billion compared with the amount at 31 December 2015, and are composed of demand deposits, interbank loans and repurchase agreements.

Demand deposits decrease by 30% to EUR 6.5 billion at 31 December 2016, from EUR 9.3 billion at 31 December 2015. Loans due from credit institutions have increased by 19% to EUR 37.7 billion at 31 December 2016 from EUR 31.8 billion at 31 December 2015. Impairment provisions are stable at EUR 0.2 billion.

### 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 712.2 billion at 31 December 2016, up 4% from EUR 682.5 billion at 31 December 2015. This is attributable to the increase in customer loans (up 5% to EUR 663.3 billion at 31 December 2016, compared with EUR 628.8 billion at 31 December 2015), while on demand accounts decrease by 2% to EUR 45.7 billion at 31 December 2016. Finance leases are slightly increasing compared with 31 December 2015, and amount to EUR 28.6 billion at 31 December 2016, and repurchase agreements decrease by EUR 3.7 billion from 31 December 2015 to EUR 1.7 billion at 31 December 2016. Impairment provisions are slightly increasing at EUR 27 billion at 31 December 2016, compared with EUR 26.2 billion at 31 December 2015.

### 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 22%, from EUR 7.8 billion at 31 December 2015 to EUR 6.1 billion at 31 December 2016, 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 amount to EUR 116 billion at 31 December 2016, up 7% from EUR 108 billion at 31 December 2015. This increase is notably due to settlement accounts related to securities transactions, as well as guarantee deposits and bank guarantees paid, for respectively EUR 2.8 billion (+24%) and EUR 1.1 billion (+2%). All other accruals increased by EUR 4 billion (+13%).



## LIABILITIES (EXCLUDING CONSOLIDATED EQUITY)

### OVERVIEW

The Group's consolidated liabilities (excluding consolidated equity) stood at EUR 1,971.7 billion at 31 December 2016, up 4% from EUR 1,894.1 billion at 31 December 2015. 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 2016 (stable from 31 December 2015). The 4% increase in liabilities compared with 31 December 2015 is mainly attributable to:

- a 1% or EUR 8.1 billion increase in financial liabilities at fair value through profit or loss to EUR 626.3 billion at 31 December 2016;
- a 9% or EUR 65.6 billion increase in amounts due to customers to EUR 766 billion at 31 December 2016;
- a 12% or EUR 10.8 billion increase in accrued expenses and other liabilities to EUR 99.4 billion at 31 December 2016;
- a 5% or EUR 8.6 billion increase in technical reserves of insurance companies to EUR 193.6 billion at 31 December 2016.

partly offset by:

- a 4% or EUR 6 billion decrease in debt securities to EUR 153.4 billion at 31 December 2016;
- a 10% or EUR 8.5 billion decrease in amounts due to credit institutions to EUR 75.7 billion at 31 December 2016.

### 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 increased by 1% compared with 31 December 2015, due mainly to the 17% increase in repurchase agreements, up EUR 26.4 billion to EUR 183.2 billion at 31 December 2016. This increase is partially offset by a 15% or EUR 12.2 billion decrease in trading securities to EUR 70.3 billion at 31 December 2016 and a 2% or EUR 7 billon decrease in derivative financial instruments to EUR 318.7 billion at 31 December 2016.

### 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 decreased by 10% or EUR 8.5 billion to EUR 75.7 billion at 31 December 2016. This decrease mainly results from the 14% or EUR 9.9 billion decrease of borrowings to EUR 60.2 billion at 31 December 2016; on demand accounts have increased by 26% or EUR 2.3 billion to EUR 10.8 billion at 31 December 2016, and repurchase agreements have decreased to EUR 4.7 billion at 31 December 2016 compared with EUR 5.5 billion at 31 December 2015.

### 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 billion at 31 December 2016, up 9% or EUR 65.6 billion compared with 31 December 2015. This rise is attributable to the 11% or EUR 44 billion increase in current accounts to EUR 443.4 billion at 31 December 2016, the 9% or EUR 14.4 billion increase in term accounts to EUR 174.9 billion at 31 December 2016 and the 7% or EUR 10 billion increase in savings accounts. Repurchase agreements decrease by 55% (EUR 2.8 billion to EUR 2.4 billion at 31 December 2016).

### 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 decrease from EUR 159.4 billion at 31 December 2015, to EUR 153.4 billion at 31 December 2016.

### SUBORDINATED DEBT

Subordinated debt amounts to EUR 18.4 billion at 31 December 2016, up 11% from EUR 16.5 billion at 31 December 2015. This increase is mainly due to new redeemable subordinated debt issued for EUR 3.8 billion, partially offset by a EUR 1.9 billion redemption.

### 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 increased by 12%, from EUR 88.6 billion at 31 December 2015 to EUR 99.4 billion at 31 December 2016. This increase is mainly due to guarantee deposits received (+EUR 4 billion or 8%) and to securities settlement accounts for +EUR 3.7 billion or 51%. All other accruals increased by EUR 3.1 billion or 10%.

### TECHNICAL RESERVES OF INSURANCE COMPANIES

Technical reserves of insurance companies amount to EUR 193.6 billion at 31 December 2016, up 5% from EUR 185 billion at 31 December 2015. This increase is mainly due to the increase in liabilities related to insurance contracts.

## MINORITY INTERESTS

Minority interests increase by EUR 0.8 billion to EUR 4.6 billion at 31 December 2016, from EUR 3.8 billion at 31 December 2015. This increase is mainly due to partial sales of interests (+ EUR 0.5 billion).

## SHAREHOLDERS' EQUITY

Shareholders' equity (before dividend pay-out) stood at EUR 100.7 billion at 31 December 2016, compared with EUR 96.3 billion at 31 December 2015. The EUR 4.4 billion increase is attributable mainly to the profit of the period which amounts to EUR 7.7 billion, the increase of EUR 0.6 billion in Undated Super Subordinated Notes, partially offset by the dividend paid in respect of the year ended 31 December 2015 in the amount of -EUR 2.9 billion and the decrease of changes in fair value of available-for-sale financial assets of EUR 0.7 billion.

## FINANCING AND GUARANTEE COMMITMENTS



### FINANCING COMMITMENTS

Financing commitments given consist mostly of documentary credit and other credit confirmations. These commitments increase by 4% to EUR 287.2 billion at 31 December 2016.

Financing commitments given to credit institutions decrease by 35% to EUR 3.8 billion at 31 December 2016, and those given to customers increase by 5% to EUR 283.3 billion at 31 December 2016.

Financing commitments received consist primarily of commitments received from credit institutions in the framework of refinancing from central banks. Financing commitments received increase by 7% to EUR 109.1 billion at 31 December 2016, compared with EUR 101.9 billion at 31 December 2015. This increase mainly results from the rise in commitments received from credit institutions (EUR 107 billion at 31 December 2016, compared with EUR 100.3 billion at 31 December 2015, an increase of 7%).

### GUARANTEE COMMITMENTS

Guarantee commitments given increase by 6% to EUR 129 billion at 31 December 2016 from EUR 121.9 billion at 31 December 2015. This increase is mainly attributable to a 7% increase in commitments given to customers (EUR 117.3 billion at 31 December 2016), guarantee commitments given to credit institutions having decreased by 2% (EUR 11.7 billion at 31 December 2016).

# 3.4 Profit and loss account

## REVENUES

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 | Change (2016/2015) |
|---|---|---|---|
| Net interest income | 22,376 | 22,553 | -1% |
| Net commission income | 7,202 | 7,615 | -5% |
| Net gain on financial instruments at fair value through profit or loss | 6,189 | 6,054 | 2% |
| Net gain on available-for-sale financial assets and other financial assets not measured at fair value | 2,211 | 1,485 | 49% |
| Net income from other activities | 5,433 | 5,231 | 4% |
| **REVENUES** | **43,411** | **42,938** | **1%** |



### OVERVIEW

The 1% increase in the Group's revenues between 2015 and 2016 mainly reflects a 49% rise in net gain on available-for-sale financial assets and other financial assets not measured at fair value, partly offset by a decrease by 5% in 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 1% to EUR 22,376 million for the year ended 31 December 2016. This decrease is mainly attributable to a decrease in net revenues from financial instrument portfolios (EUR 154 million for the year ended 31 December 2016, compared with EUR 754 million for the year ended 31 December 2015), to the downturn in customer item operations (EUR 17,553 million for the year ended 31 December 2016, compared with EUR 17,706 million for the year ended 31 December 2015), and in interbank item operations (-EUR 233 million for the year ended 31 December 2016, compared with EUR 63 million for the year ended 31 December 2015). These variations were partly offset by an increase in net revenues of cash flow hedge instruments (+ EUR 411 million compared with the year ended 31 December 2015) and in net revenues of interest rate portfolio hedge instruments (+EUR 416 million compared with the year ended 31 December 2015). Besides, net expense on debt securities issued by the Group decrease from –EUR 1,805 million in the year ended 31 December 2015 to – EUR 1,662 million in 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 decreased by 5% from EUR 7,615 million for the year ended 31 December 2015 to EUR 7,202 million for the year ended 31 December 2016.

## 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 value through profit or loss increase by 2% from EUR 6,054 million for the year ended 31 December 2015 to EUR 6,189 million for the year ended 31 December 2016. 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 designated as at fair value through profit or loss is partly attributable to the change in the issuer risk of the BNP Paribas Group from a gain of EUR 266 million for the year ended 31 December 2015 to 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 equity financial instruments and an increase in net gains on foreign exchange 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 increases by 49% or EUR 726 million, from EUR 1,485 in the year ended 31 December 2015 to EUR 2,211 million in the year ended 31 December 2016. The net gains include a EUR 597 million disposal gain on Visa Europe shares.

## 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 4% from EUR 5,231 million for the year ended 31 December 2015 to EUR 5,433 million for the year ended 31 December 2016. This change results primarily from an increase of EUR 127 million in net income from assets under operating leases, and an increase of EUR 36 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 decrease in the expense related to technical reserves from -EUR 7,024 million in 2015 to -EUR 4,828 million in 2016, offset by the decrease in net gains from changes in value of admissible investments related to unit-linked policies from EUR 2,143 million in 2015 to EUR 979 million in 2016, and by the decrease in gross premiums, from EUR 23,633 million in 2015 to EUR 22,599 million in 2016. Policy benefit expenses remain stable, from -EUR 14,763 million in 2015 to -EUR 14,738 million in 2016.



## OPERATING EXPENSES, DEPRECIATION AND AMORTISATION

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 | Change (2016/2015) |
|---|---|---|---|
| Operating expenses | (27,681) | (27,600) | n.s. |
| Depreciation, amortisation, and impairment of property, plant and equipment and intangible assets | (1,697) | (1,654) | 3% |
| **TOTAL OPERATING EXPENSES, DEPRECIATION, AND AMORTISATION** | **(29,378)** | **(29,254)** | **n.s.** |

Operating expenses, depreciation and amortisation are slightly increasing from EUR 29,254 million in 2015 to EUR 29,378 million in 2016.

## GROSS OPERATING INCOME

The Group's gross operating income rose by 3% to EUR 14,033 million for the year ended 31 December 2016 (compared with EUR 13,684 million for the year ended 31 December 2015), mainly due to the 1% increase in revenues.

## COST OF RISK

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 | Change (2016/2015) |
|---|---|---|---|
| Net allowances to impairment | (3,304) | (3,739) | -12% |
| Recoveries on loans and receivables previously written off | 545 | 589 | -7% |
| Irrecoverable loans and receivables not covered by impairment provisions | (503) | (647) | -22% |
| **TOTAL COST OF RISK FOR THE PERIOD** | **(3,262)** | **(3,797)** | **-14%** |

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 3,262 million, the Group's cost of risk decreased by 14% compared with 2015.

The decrease in the cost of risk in 2016 compared with 2015 stemmed mainly from the contribution of Domestic Markets, with net allowances to impairment of EUR 1,509 million in 2016 (compared with EUR 1,811 million in 2015), a 17% decrease mainly due to the impact of BNL banca commerciale, the net allowances of which amount to EUR 959 million (compared with EUR 1,248 million in 2015) and net allowances of Personal Finance which amount to EUR 979 million in 2016 (compared with 1,176 in 2015).

These decreases are partly offset by the increase of the Corporate Banking net allowance which amounts to EUR 292 million in 2016 (compared with EUR 138 million in 2015).

At 31 December 2016, doubtful loans and commitments net of guarantees totalled EUR 31.2 billion (EUR 30.7 billion at 31 December 2015), and provisions amounted to EUR 27.8 billion, compared with EUR 26.9 billion at 31 December 2015. The coverage ratio was 89% at 31 December 2016, compared with 88% at 31 December 2015.

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. 2016 | Year to 31 Dec. 2015 | Change (2016/2015) |
|---|---|---|---|
| **OPERATING INCOME** | **10,771** | **9,787** | **10%** |
| Share of earnings of equity-method entities | 633 | 589 | 7% |
| Net gain on non-current assets | (12) | 996 | ns |
| Goodwill | (182) | (993) | -82% |
| Corporate income tax | (3,095) | (3,335) | -7% |
| Net income attributable to minority interests | (413) | (350) | 18% |
| **NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS** | **7,702** | **6,694** | **15%** |

### SHARE OF EARNINGS OF EQUITY-METHOD ENTITIES

The share of earnings of equity-method entities increased from EUR 589 million in 2015 to EUR 633 million in 2016.

### 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. In 2015, net gains on other non-current assets included a EUR 839 million gain due to the merger and then disposal of the Klépierre-Corio group.

### CHANGE IN VALUE OF GOODWILL

Change in the value of goodwill was a negative EUR 182 million in 2016 (including the full goodwill impairment of Bank BGZ BNP Paribas for EUR 127 million), compared with a negative change of EUR 993 million in 2015 (of which EUR 917 million of BNL banca commerciale goodwill impairment).

### INCOME TAX EXPENSE

The Group records income tax expense of EUR 3,095 million in 2016, a decrease compared with the income tax expense of EUR 3,335 million recorded in 2015.

## MINORITY INTERESTS

The share of earnings attributable to minority interests in consolidated companies increased by EUR 63 million (to EUR 413 million in 2016, compared with EUR 350 million in 2015).

# 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 2015 Registration document issued on 28 October 2016, that should be mentioned in this section.

# 3.6 Outlook

## 2017-2020 DEVELOPMENT PLAN

The 2017-2020 business development plan is based on the Group's integrated and diversified business model with three pillars focused on customers' needs: Domestic Markets, International Financial Services (IFS) and Corporate and Institutional Banking (CIB).

Leveraging this balanced business model, which has demonstrated its strength, the plan aims to build the bank of the future by continuing to grow the businesses and implementing an ambitious programme of digital transformation, new customer experience, and cost savings in strict compliance with the corporate social responsibility policy.

The plan, which is based on conservative macroeconomic assumptions, factors in regulatory constraints expected by 2020 which continue to grow in the current Basel 3 regulatory framework (introduction of Net Stable Funding ratio (NSFR), TLAC requirement on top of the capital constraints, *etc*).

In this context, headwinds will continue to be strong at the beginning of the period before letting up in 2019-2020. On average, the Group's target is revenue growth above or equal to 2.5% per year in order to raise the ROE to 10% in 2020.

The Group is targeting an average growth of net income in excess of 6.5% per year for the whole period which will allow, with a 50% dividend pay-out ratio, to grow the dividend by 9% per year on average, and reach a 12%[1] CET1 ratio in 2020.

The 2017-2020 business development plan is based on an ambitious transformation programme in all the operating divisions and on differentiated development strategies between Domestic Markets, IFS and CIB:

### AN AMBITIOUS PROGRAMME OF NEW CUSTOMER EXPERIENCE, DIGITAL TRANSFORMATION & SAVINGS IN ALL THE DIVISIONS

In all the divisions, the Group will implement an ambitious transformation programme that aims at the same time to implement a new customer experience, the acceleration of digital transformation and improvement of operating efficiency.

It will rely on the success of a significant number of initiatives already underway in terms of products, apps and digital platforms (such as, for example, Hello bank! and Wa! in Domestic Markets, Cepteteb and BGZ Optima in IFS, Centric and Cortex in CIB), Tech Labs (such as l'*Atelier* and l'*Échangeur*) and incubators (such as the International Hackathon and Wai).

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 2.7 billion in annual recurring savings starting from 2020, with a balanced contribution of all the divisions.

Five levers will be implemented in all the divisions to renew the customer experience and build a more digital and efficient bank: implement new customer journeys (new services, and digital, expanded, seamless and personalised journeys); improve the operational model by streamlining end-to-end processes, simplifying the organisations, and developing mutualised platforms; adapt information systems by incorporating in particular new technologies in order to accelerate digital and by promoting agile practices; better use data by leveraging them for customers' benefit and by reinforcing data storage, protection and analysis capacities; and, lastly, develop more digital, collaborative and agile work practices.

### DIFFERENTIATED BUSINESS DEVELOPMENT STRATEGIES PER DIVISION

In an interest rate environment that will improve only very gradually and given new client expectations influenced by digital usages, Domestic Markets will reinforce the sales and marketing drive with new customer experiences, enhanced attractiveness of the offering and new services. The division will improve its operating efficiency by actively continuing to adapt the branch networks, transforming the operating model and accelerating digitalisation. In a risk environment that will continue to be favourable, it will continue its cost of risk control policy in Italy. The target of Domestic Markets[2] is thus an average annual revenue growth of more than 0.5% per year until 2020, a 3 point reduction in its cost income ratio and a return on equity[3] above 17.5% in 2020 (+2 points compared to 2016).

*(1) At constant regulatory framework.*

*(2) Including 100% of Private Banking (excluding PEL/CEL effects).*

*(3) Return on notional equity (RONE).*

As a growth engine for the Group, International Financial Services will strengthen its positions by accelerating the development (new offerings, new partnerships, new regions for the specialised businesses), consolidating the leading positions of the businesses and continuing to expand Retail Banking outside of the euro zone. The division will continue to adapt to future constraints (MIFiD 2, *etc.*) and improve its operating efficiency, in particular by accelerating digital transformation and streamlining processes. The target of IFS[(1)] is thus an average annual revenue growth of more than 5% per year until 2020, a 5 point reduction in its cost income ratio and a 20% return on equity[(2)] in 2020 (+2 points compared to 2016).

CIB will capitalise on the good start of its plan in 2016 in all its dimensions: resource optimisation, cost reduction and revenue growth. The operating division will extend to 2020 all the actions under way and accelerate the operating and digital transformation. It will expand its corporate and institutional client base, continue to grow fee-generating businesses (advisory services, cash management, Securities Services) and continue to leverage its regional positions to develop international services. It will also expand its client base in Europe, in particular in the countries of Northern Europe (Germany, Netherlands, etc.), and will continue to develop cooperations with other businesses in the Group. The target of CIB is thus an average annual revenue growth of more than 4.5% per year until 2020, a 8 point reduction in its cost income ratio and a return on equity[(2)] of more than 19% in 2020 (+6 points compared to 2016).



## 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 rock-solid.

The fully loaded Basel 3 common equity Tier 1 ratio[(3)] was 11.5% as at 31 December 2016, up by 60 basis points compared to 31 December 2015, primarily due to the year's results after the dividend payment.

The Basel 3 fully loaded leverage ratio[(4)], calculated on total Tier 1 capital, totalled 4.4% as at 31 December 2016 (+40 basis points compared to 31 December 2015).

The Liquidity Coverage Ratio stood at 123% as at 31 December 2016.

The Group's liquid and asset reserve immediately available totalled EUR 305 billion (compared to EUR 266 billion as at 31 December 2015), which is equivalent to more than one year of room to manoeuvre in terms of wholesale funding.

The evolution of the Group's ratios illustrates its solid capital generation and its ability to manage its balance sheet in a disciplined manner.

*(1) Excluding First Hawaiian Bank.*

*(2) Return on notional equity (RONE).*

*(3) Taking into account all the rules of the CRD 4 directives with no transitory provisions. Subject to the provisions of article 26.2 of Regulation (EU) No. 575/2013.*

*(4) Taking into account all the rules of the CRD 4 directives in 2019 with no transitory provisions, calculated according to the delegated act of the European Commission dated 10 October 2014.*

# 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 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 (two-thirds) and Wealth Management business (one-third) |
| 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) excluding exceptional items | Net income Group share excluding exceptional items and 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 excluding non-recurring items of a significant amount or items that do not reflect the 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 Tangible Equity (ROTE) excluding exceptional items | Net income Group share excluding exceptional items and 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 excluding non recurring items of a significant amount or items that do not reflect the operating performance, notably Own Credit valuation Adjustments for debts (OCA) and for derivatives (Debit Valuation Adjustment - DVA) as well as transformation and restructuring costs |

## 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. 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) which includes Asset Management, Wealth Management and Real Estate Services;
- Corporate and Institutional Banking (CIB) including: Corporate Banking, Global Markets, Securities Services.



## EARNINGS PER SHARE

| *in millions* | 2016 | 2015 |
|---|---|---|
| **Average number of Shares outstanding excluding Treasury Shares** | **1,244** | **1,243** |
| Net income attributable to equity holders | 7,702 | 6,694 |
| Remuneration net of tax of Undated Super Subordinated Notes | (357) | (282) |
| Exchange rate effect on reimbursed Undated Super Subordinated Notes | 125 | (27) |
| **Net income attributable to equity holders, after remuneration and exchange rate effect on Undated Super Subordinated Notes** | **7,470** | **6,385** |
| **NET EARNINGS PER SHARE (EPS) IN EUROS** | **6.00** | **5.14** |

## RETURN ON EQUITY

| *in millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Net income Group share** | **7,702** | **6,694** |
| Remuneration net of tax of Undated Super Subordinated Notes | (357) | (282) |
| Exchange rate effect on reimbursed Undated Super Subordinated Notes | 125 | (27) |
| **Net income Group share used for the calculation of ROE / ROTE** | **7,470** | **6,385** |
| Exceptional items (after tax) [(a)] | (100) | (644) |
| **Average permanent shareholders' equity, not revaluated [(b)]** | **80,657** | **76,772** |
| **Return on Equity** | **9.3%** | **8.3%** |
| **Return on Equity excluding exceptional items** | **9.4%** | **9.2%** |
| **Average tangible permanent shareholders' equity, not revaluated [(c)]** | **67,338** | **63,298** |
| **Return on Tangible Equity** | **11.1%** | **10.1%** |
| **Return on Tangible Equity excluding exceptional items** | **11.2%** | **11.1%** |

*(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, including notably net income excluding exceptional items (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 distribution of dividends).*

*(c) Average Tangible permanent shareholders' equity: average of beginning of the year and end of the period including notably net income excluding exceptional items (Tangible permanent shareholders' equity = permanent shareholders' equity - goodwill - intangible assets).*

# 4 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The consolidated financial statements of the BNP Paribas Group are presented for the years ended 31 December 2016 and 31 December 2015. In accordance with Article 20.1 of Annex I of European Commission Regulation (EC) 809/2004, the consolidated financial statements for 2014 are provided in the Registration document filed with the Autorité des Marchés Financiers on 9 March 2016 under number D.16-0126.

# 4.1 Profit and loss account for the year ended 31 December 2016

| *In millions of euros* | Notes | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|---|
| Interest income | 2.a | 40,894 | 41,381 |
| Interest expense | 2.a | (18,518) | (18,828) |
| Commission income | 2.b | 12,765 | 13,335 |
| Commission expense | 2.b | (5,563) | (5,720) |
| Net gain on financial instruments at fair value through profit or loss | 2.c | 6,189 | 6,054 |
| Net gain on available-for-sale financial assets and other financial assets not measured at fair value | 2.d | 2,211 | 1,485 |
| Income from other activities | 2.e | 36,532 | 38,289 |
| Expense on other activities | 2.e | (31,099) | (33,058) |
| **REVENUES** | | **43,411** | **42,938** |
| Salary and employee benefit expense | 6.a | (16,402) | (16,061) |
| Other operating expenses | 2.f | (11,279) | (11,539) |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets | 4.n | (1,697) | (1,654) |
| **GROSS OPERATING INCOME** | | **14,033** | **13,684** |
| Cost of risk | 2.g | (3,262) | (3,797) |
| Costs related to the comprehensive settlement with US authorities | 2.h | - | (100) |
| **OPERATING INCOME** | | **10,771** | **9,787** |
| Share of earnings of equity-method entities | 4.m | 633 | 589 |
| Net gain on non-current assets | | (12) | 996 |
| Goodwill | 4.o | (182) | (993) |
| **PRE-TAX INCOME** | | **11,210** | **10,379** |
| Corporate income tax | 2.i | (3,095) | (3,335) |
| **NET INCOME** | | **8,115** | **7,044** |
| Net income attributable to minority interests | | 413 | 350 |
| **NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS** | | **7,702** | **6,694** |
| Basic earnings per share | 7.a | 6.00 | 5.14 |
| Diluted earnings per share | 7.a | 6.00 | 5.13 |

# 4.2 Statement of net income and changes in assets and liabilities recognised directly in equity

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Net income for the period** | **8,115** | **7,044** |
| **Changes in assets and liabilities recognised directly in equity** | **(805)** | **1,086** |
| **Items that are or may be reclassified to profit or loss** | **(589)** | **629** |
| Changes in exchange rate items | 324 | 531 |
| Changes in fair value of available-for-sale financial assets, including those reclassified as loans and receivables | 500 | 619 |
| Changes in fair value of available-for-sale financial assets reported in net income, including those reclassified as loans and receivables | (1,132) | (441) |
| Changes in fair value of hedging instruments | (196) | (176) |
| Changes in fair value of hedging instruments reported in net income | (2) | (22) |
| Changes in equity-method investments | (83) | 118 |
| **Items that will not be reclassified to profit or loss** | **(216)** | **457** |
| Remeasurement gains (losses) related to post-employment benefit plans | (202) | 455 |
| Changes in equity-method investments | (14) | 2 |
| **TOTAL** | **7,310** | **8,130** |
| Attributable to equity shareholders | 6,925 | 7,790 |
| Attributable to minority interests | 385 | 340 |

# 4.3 Balance sheet at 31 December 2016

| *In millions of euros* | Notes | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| ASSETS | | | |
| Cash and amounts due from central banks | | 160,400 | 134,547 |
| Financial instruments at fair value through profit or loss | | | |
| Trading securities | 4.a | 123,679 | 133,500 |
| Loans and repurchase agreements | 4.a | 152,242 | 131,783 |
| Instruments designated as at fair value through profit or loss | 4.a | 87,644 | 83,076 |
| Derivative financial instruments | 4.a | 328,162 | 336,624 |
| Derivatives used for hedging purposes | 4.b | 18,133 | 18,063 |
| Available-for-sale financial assets | 4.c | 267,559 | 258,933 |
| Loans and receivables due from credit institutions | 4.f | 47,411 | 43,427 |
| Loans and receivables due from customers | 4.g | 712,233 | 682,497 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | | 4,664 | 4,555 |
| Held-to-maturity financial assets | 4.j | 6,100 | 7,757 |
| Current and deferred tax assets | 4.k | 7,966 | 7,865 |
| Accrued income and other assets | 4.l | 115,967 | 108,018 |
| Equity-method investments | 4.m | 6,910 | 6,896 |
| Investment property | 4.n | 1,911 | 1,639 |
| Property, plant and equipment | 4.n | 22,523 | 21,593 |
| Intangible assets | 4.n | 3,239 | 3,104 |
| Goodwill | 4.o | 10,216 | 10,316 |
| **TOTAL ASSETS** | | **2,076,959** | **1,994,193** |
| LIABILITIES | | | |
| Due to central banks | | 233 | 2,385 |
| Financial instruments at fair value through profit or loss | | | |
| Trading securities | 4.a | 70,326 | 82,544 |
| Borrowings and repurchase agreements | 4.a | 183,206 | 156,771 |
| Instruments designated as at fair value through profit or loss | 4.a | 54,076 | 53,118 |
| Derivative financial instruments | 4.a | 318,740 | 325,828 |
| Derivatives used for hedging purposes | 4.b | 19,626 | 21,068 |
| Due to credit institutions | 4.f | 75,660 | 84,146 |
| Due to customers | 4.g | 765,953 | 700,309 |
| Debt securities | 4.i | 153,422 | 159,447 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | | 4,202 | 3,946 |
| Current and deferred tax liabilities | 4.k | 3,087 | 2,993 |
| Accrued expenses and other liabilities | 4.l | 99,407 | 88,629 |
| Technical reserves of insurance companies | 4.p | 193,626 | 185,043 |
| Provisions for contingencies and charges | 4.q | 11,801 | 11,345 |
| Subordinated debt | 4.i | 18,374 | 16,544 |
| **TOTAL LIABILITIES** | | **1,971,739** | **1,894,116** |
| CONSOLIDATED EQUITY | | | |
| *Share capital, additional paid-in capital and retained earnings* | | *86,794* | *82,839* |
| *Net income for the period attributable to shareholders* | | *7,702* | *6,694* |
| **Total capital, retained earnings and net income for the period attributable to shareholders** | | **94,496** | **89,533** |
| Changes in assets and liabilities recognised directly in equity | | 6,169 | 6,736 |
| **Shareholders' equity** | | **100,665** | **96,269** |
| Retained earnings and net income for the period attributable to minority interests | | 4,460 | 3,691 |
| Changes in assets and liabilities recognised directly in equity | | 95 | 117 |
| **Total minority interests** | | **4,555** | **3,808** |
| **TOTAL CONSOLIDATED EQUITY** | | **105,220** | **100,077** |
| **TOTAL LIABILITIES AND EQUITY** | | **2,076,959** | **1,994,193** |

# 4.4 Cash flow statement for the year ended 31 December 2016

| *In millions of euros* | Notes | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|---|
| **Pre-tax income** | | **11,210** | **10,379** |
| **Non-monetary items included in pre-tax net income and other adjustments** | | **12,474** | **18,354** |
| Net depreciation/amortisation expense on property, plant and equipment and intangible assets | | 4,444 | 3,764 |
| Impairment of goodwill and other non-current assets | | 155 | 989 |
| Net addition to provisions | | 10,241 | 12,662 |
| Share of earnings of equity-method entities | | (633) | (589) |
| Net expense (income) from investing activities | | 56 | (889) |
| Net expense from financing activities | | 1,232 | 2,545 |
| Other movements | | (3,021) | (128) |
| **Net increase (decrease) in cash related to assets and liabilities generated by operating activities** | | **1,977** | **(8,408)** |
| Net decrease in cash related to transactions with credit institutions | | (19,515) | (7,121) |
| Net increase (decrease) in cash related to transactions with customers | | 25,749 | (1,780) |
| Net increase in cash related to transactions involving other financial assets and liabilities | | 3,045 | 7,021 |
| Net decrease in cash related to transactions involving non-financial assets and liabilities | | (5,163) | (4,153) |
| Taxes paid | | (2,139) | (2,375) |
| **NET INCREASE IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES** | | **25,661** | **20,325** |
| Net increase in cash related to acquisitions and disposals of consolidated entities | | 468 | 150 |
| Net decrease related to property, plant and equipment and intangible assets | | (1,485) | (1,756) |
| **NET DECREASE IN CASH AND EQUIVALENTS RELATED TO INVESTING ACTIVITIES** | | **(1,017)** | **(1,606)** |
| Decrease in cash and equivalents related to transactions with shareholders | | (1,834) | (645) |
| Decrease in cash and equivalents generated by other financing activities | | (2,608) | (5,069) |
| **NET DECREASE IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES** | | **(4,442)** | **(5,714)** |
| **EFFECT OF MOVEMENT IN EXCHANGE RATES ON CASH AND EQUIVALENTS** | | **2,587** | **8,176** |
| **NET INCREASE IN CASH AND EQUIVALENTS** | | **22,789** | **21,181** |
| **Balance of cash and equivalent accounts at the start of the period** | | **133,174** | **111,993** |
| Cash and amounts due from central banks | | 134,547 | 117,473 |
| Due to central banks | | (2,385) | (1,680) |
| On demand deposits with credit institutions | 4.f | 9,346 | 7,924 |
| On demand loans from credit institutions | 4.f | (8,527) | (11,618) |
| Deduction of receivables and accrued interest on cash and equivalents | | 193 | (106) |
| **Balance of cash and equivalent accounts at the end 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 |
| **NET INCREASE IN CASH AND EQUIVALENTS** | | **22,789** | **21,181** |

# 4.5 Statement of changes in shareholders' equity

| | Capital and retained earnings | | | |
|---|---|---|---|---|
| | Attributable to shareholders | | | |
| *In millions of euros* | Share capital and additional paid-in capital | Undated Super Subordinated Notes | Non-distributed reserves | Total |
| **Capital and retained earnings at 31 December 2014** | **26,971** | **6,589** | **49,807** | **83,367** |
| **Appropriation of net income for 2014** | | | **(1,867)** | **(1,867)** |
| Increases in capital and issues | 19 | 2,094 | | 2,113 |
| Reduction or redemption of capital | | (862) | (29) | (891) |
| Movements in own equity instruments | (93) | 34 | (56) | (115) |
| Share-based payment plans | | | 7 | 7 |
| Remuneration on preferred shares and undated super subordinated notes | | | (257) | (257) |
| Impact of internal transactions on minority shareholders *(note 7.d)* | | | (2) | (2) |
| Movements in consolidation scope impacting minority shareholders | | | (2) | (2) |
| Acquisitions of additional interests or partial sales of interests *(note 7.d)* | | | (3) | (3) |
| Change in commitments to repurchase minority shareholders' interests | | | 49 | 49 |
| Other movements | | | (11) | (11) |
| Changes in assets and liabilities recognised directly in equity | | | 451 | 451 |
| **Net income for 2015** | | | **6,694** | **6,694** |
| **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** |

# between 1 Jan. 2015 and 31 Dec. 2016

| 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 Tier1 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 |
| **4,025** | **73** | **4,098** | **(291)** | **4,865** | **1,517** | **6,091** | **133** | **93,689** |
| **(131)** | | **(131)** | | | | **-** | | **(1,998)** |
| | | - | | | | - | | 2,113 |
| | | - | | | | - | | (891) |
| | | - | | | | - | | (115) |
| | | - | | | | - | | 7 |
| (2) | | (2) | | | | - | | (259) |
| 2 | | 2 | | | | - | | - |
| (521) | | (521) | | | | - | | (523) |
| (4) | | (4) | | | | - | | (7) |
| (103) | | (103) | | | | - | | (54) |
| (4) | | (4) | | | | - | | (15) |
| 6 | | 6 | 616 | 201 | (172) | 645 | (16) | 1,086 |
| **350** | | **350** | | | | - | | **7,044** |
| **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** |

# 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 which are mandatory as of 1 January 2016 has no effect on the 2016 financial statements.

The Group did not choose to early-adopt the new standards, amendments, and interpretations adopted by the European Union, whose application in 2016 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" is 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.

**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.

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 may lead to different classification and measurement of some financial assets compared with 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 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.

(1) *The full set of standards adopted for use in the European Union can be found on the website of the European Commission at: http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.*

With respect to financial liabilities, the only 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 existing business models, the main classifications would be expected to be as follows:

- apart from those not complying with the contractual characteristics criterion, loans and receivables due from credit institutions and customers and repurchase agreements recognised in "Loans and receivables" under IAS 39 should be eligible to amortised cost under IFRS 9;
- Treasury bills, Government bonds and other fixed-income securities classified as "Available-for-sale financial assets" under IAS 39 should be recognised at amortised cost or at fair value through shareholders' equity depending on the business model, apart from those not complying with the contractual characteristics criterion;
- financial assets classified at fair value through profit or loss under IAS 39 should remain in this category under IFRS 9;
- the majority of investments in equity instruments are likely to be classified as instruments at fair value through profit or loss, making income more volatile than under IAS 39. However, some of these investments are likely to be classified at fair value through shareholders' equity.

### 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, 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) must 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 could be applied to debt securities.

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.

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 included in "Stage 3". Criteria for identifying impaired assets will be 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).

Treatment of restructuring for financial difficulties is likely to remain similar to that prevailing under IAS 39.

The new impairment model is likely to result in an increase in impairment for credit risk since all financial assets will be subject to a 12-month expected credit loss assessment. Moreover, the scope of the assets for which there is a significant increase in credit risk could be different from the scope of assets for which portfolio-based impairment was recognised under IAS 39.

Furthermore, the impairment model of IFRS 9 is based on more forward-looking information than that of IAS 39, inducing a more volatile amount of expected credit losses.

The Group is considering using 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 will also need to be applied to portfolios for which the capital requirement for credit risk is measured according to the standardised approach. Moreover, the Basel framework will need to be supplemented with the specific provisions of IFRS 9, in particular the use of forward-looking information.

Methods of measuring expected credit losses will be 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 will be measured as the product of the PD, LGD and EAD.

#### Hedge accounting

The objective of the hedge accounting model under IFRS 9 is to better reflect risk management, especially by expanding the eligible hedging instruments and eliminating some overly prescriptive rules. On initial application of IFRS 9, the Group may choose either to apply the new hedge accounting provisions or to maintain the hedge accounting principles under IAS 39 until the new macro hedging standard comes into force. Irrespective of the chosen hedge accounting option, additional information will be required in the notes to the financial statements concerning risk management and the impacts of the hedge accounting on the financial statements.



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.

Based on the analyses made to date, the Group is considering maintaining all the provisions of IAS 39 for hedge accounting.

#### Transition

The IFRS 9 classification and measurement provisions, as well as its new impairment model, are applicable retrospectively by adjusting the opening balance sheet on the date of first application, without any obligation to restate the comparative figures for prior periods.

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 does not envisage an early application of these requirements.

#### Implementation of IFRS 9 within the Group

The implementation of IFRS 9 within the Group relies on a set of projects corresponding to each of the different phases of the standard. Steering committees bringing together the Heads of the Risk and Finance functions have been set up, as well as operational committees dedicated to the various issues associated with the implementation of the new standard.

The project on classification and measurement is managed by the Finance Department, through dedicated governance.

The work relating to the analysis of business models and the contractual cash flows characteristics of the Group's assets is being finalised. Meanwhile, the required IT developments and adaptations have proceeded through 2016 and will be finalised in 2017.

The project on the impairment model is conducted under the joint responsibility of the Finance and Risk Departments.

The work conducted to this day has led to the definition of the Group methodology for the new impairment model (see above). The model is currently being adapted to operational requirements and refined.

Operational implementation is based on the convergence of Finance, Risk and Liquidity reporting streams with the aim of guaranteeing high quality data.

### 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 recognized as revenue when the performance obligations are satisfied, namely when the control of the promised goods or services has been transferred.

The Group is in the process of analysing the standard and its potential impacts. 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.

The implementation of IFRS 15 within the Group is based on a project structure managed by the Finance Department. The analysis of the standard and the documentation and identification of its potential impacts will be finalised in 2017. Impacts are not expected to be material.

### 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.

IFRS 16 will become mandatory for annual periods beginning on or after 1 January 2019, after its adoption by the European Union for application in Europe. Following the publication of the standard, the Group has started to analyse the standard and define its potential impacts.

## 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. The consolidation of an entity is regarded as immaterial if its contribution to the consolidated financial statements is below the following three thresholds: EUR 15 million of consolidated revenues, EUR 1 million of consolidated net income before tax, EUR 500 million of total consolidated assets. 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 "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.

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;

(1) *As defined by IAS 36..*

- 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 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.



*(1) Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of cash.*

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.

Bonds redeemable for or convertible into equity instruments of the Group are accounted for as hybrid instruments with a debt component and an equity component, determined on initial recognition.

### 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.

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 2016

## 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. 2016 | | | Year to 31 Dec. 2015 | | |
|---|---|---|---|---|---|---|
| | Income | Expense | Net | Income | Expense | Net |
| **Customer items** | **24,635** | **(7,082)** | **17,553** | **25,204** | **(7,498)** | **17,706** |
| Deposits, loans and borrowings | 23,412 | (6,969) | 16,443 | 23,998 | (7,438) | 16,560 |
| Repurchase agreements | 29 | (58) | (29) | 38 | (11) | 27 |
| Finance leases | 1,194 | (55) | 1,139 | 1,168 | (49) | 1,119 |
| **Interbank items** | **1,483** | **(1,716)** | **(233)** | **1,368** | **(1,305)** | **63** |
| Deposits, loans and borrowings | 1,459 | (1,548) | (89) | 1,310 | (1,165) | 145 |
| Repurchase agreements | 24 | (168) | (144) | 58 | (140) | (82) |
| **Debt securities issued** | | **(1,662)** | **(1,662)** | | **(1,805)** | **(1,805)** |
| **Cash flow hedge instruments** | **3,893** | **(2,567)** | **1,326** | **4,249** | **(3,334)** | **915** |
| **Interest rate portfolio hedge instruments** | **3,468** | **(3,356)** | **112** | **3,105** | **(3,409)** | **(304)** |
| **Financial instruments at fair value through profit or loss** | **2,289** | **(2,135)** | **154** | **2,231** | **(1,477)** | **754** |
| Fixed-income securities | 858 | | 858 | 1,406 | | 1,406 |
| Loans / borrowings | 57 | (418) | (361) | 187 | (348) | (161) |
| Repurchase agreements | 1,374 | (1,513) | (139) | 638 | (778) | (140) |
| Debt securities | | (204) | (204) | | (351) | (351) |
| **Available-for-sale financial assets** | **4,789** | | **4,789** | **4,840** | | **4,840** |
| **Held-to-maturity financial assets** | **337** | | **337** | **384** | | **384** |
| **TOTAL INTEREST INCOME/(EXPENSE)** | **40,894** | **(18,518)** | **22,376** | **41,381** | **(18,828)** | **22,553** |

Interest income on individually impaired loans amounted to EUR 600 million in the year ended 31 December 2016 compared with EUR 546 million in the year ended 31 December 2015.

## 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 2,592 million and EUR 282 million respectively in 2016, compared with income of EUR 2,975 million and expense of EUR 355 million in 2015.

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 2,482 million in 2016, compared with EUR 2,539 million in 2015.

## 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. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Trading book** | **6,406** | **2,622** |
| Interest rate and credit instruments | 1,186 | 1,637 |
| Equity financial instruments | 1,096 | 3,416 |
| Foreign exchange financial instruments | 3,166 | (1,676) |
| Other derivatives | 991 | (782) |
| Repurchase agreements | (33) | 27 |
| **Financial instruments designated as at fair value through profit or loss** | **(177)** | **3,352** |
| *of which debt remeasurement effect arising from BNP Paribas Group issuer risk (note 4.d)* | *25* | *266* |
| **Impact of hedge accounting** | **(40)** | **80** |
| Fair value hedging derivatives | (319) | 609 |
| Hedged items in fair value hedge | 279 | (529) |
| **TOTAL** | **6,189** | **6,054** |

Net gains on the trading book in 2016 and 2015 include a non-material amount related to the ineffective portion of cash flow hedges.

## 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. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Loans and receivables, fixed-income securities**(1) | **843** | **510** |
| Disposal gains and losses | 843 | 510 |
| **Equities and other variable-income securities** | **1,368** | **975** |
| Dividend income | 611 | 580 |
| Additions to impairment provisions | (376) | (333) |
| Net disposal gains | 1,133 | 728 |
| **TOTAL** | **2,211** | **1,485** |

*(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 1,373 million for the year ended 31 December 2016 compared with a net gain of EUR 635 million for the year ended 31 December 2015.

The application of the automatic impairment criteria and qualitative analysis led to a first impairment of variable-income securities, for the following amounts:

- EUR 106 million linked to a decline in price of more than 50% of the acquisition price (EUR 40 million in 2015);
- EUR 45 million linked to the observation of an unrealised loss over two consecutive years (EUR 39 million in 2015);
- no impairment linked to the observation of an unrealised loss of at least an average of 30% over one year (EUR 9 million in 2015);
- EUR 85 million linked to an additional qualitative analysis (EUR 28 million in 2015).

## 2.e NET INCOME FROM OTHER ACTIVITIES

| | Year to 31 Dec. 2016 | | | Year to 31 Dec. 2015 | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Income | Expense | Net | Income | Expense | Net |
| Net income from insurance activities | 26,545 | (22,782) | 3,763 | 29,184 | (25,435) | 3,749 |
| Net income from investment property | 97 | (47) | 50 | 74 | (60) | 14 |
| Net income from assets held under operating leases | 7,564 | (6,207) | 1,357 | 6,249 | (5,019) | 1,230 |
| Net income from property development activities | 806 | (632) | 174 | 1,031 | (834) | 197 |
| Other net income | 1,520 | (1,431) | 89 | 1,751 | (1,710) | 41 |
| **TOTAL NET INCOME FROM OTHER ACTIVITIES** | **36,532** | **(31,099)** | **5,433** | **38,289** | **(33,058)** | **5,231** |

### ➤ NET INCOME FROM INSURANCE ACTIVITIES

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Gross premiums written | 22,599 | 23,633 |
| Policy benefit expenses | (14,738) | (14,763) |
| Changes in technical reserves | (4,828) | (7,024) |
| Change in value of admissible investments related to unit-linked policies | 979 | 2,143 |
| Reinsurance ceded | (335) | (320) |
| Other net income | 86 | 80 |
| **TOTAL NET INCOME FROM INSURANCE ACTIVITIES** | **3,763** | **3,749** |

"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. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| External services and other operating expenses | (9,581) | (9,950) |
| Taxes(1) | (1,698) | (1,589) |
| **TOTAL OTHER OPERATING EXPENSES** | **(11,279)** | **(11,539)** |

*(1) Taxes notably include the contribution to the Single Resolution Fund which amounts to EUR 508 million in 2016 compared with EUR 336 million in 2015.*

## 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. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Net allowances to impairment | (3,304) | (3,739) |
| Recoveries on loans and receivables previously written off | 545 | 589 |
| Irrecoverable loans and receivables not covered by impairment provisions | (503) | (647) |
| **TOTAL COST OF RISK FOR THE PERIOD** | **(3,262)** | **(3,797)** |

### ➤ COST OF RISK FOR THE PERIOD BY ASSET TYPE

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Loans and receivables due from credit institutions | 44 | (10) |
| Loans and receivables due from customers | (3,199) | (3,639) |
| Available-for-sale financial assets | (8) | (18) |
| Financial instruments of trading activities | (3) | (16) |
| Other assets | (5) | (17) |
| Commitments given and other items | (91) | (97) |
| **TOTAL COST OF RISK FOR THE PERIOD** | **(3,262)** | **(3,797)** |
| *Cost of risk on a specific basis* | *(3,682)* | *(3,961)* |
| *Cost of risk on a collective basis* | *420* | *164* |



### Credit risk impairment

### ➤ IMPAIRMENT CHANGE IN DURING THE PERIOD

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **TOTAL IMPAIRMENT AT BEGINNING OF YEAR** | **27,676** | **27,945** |
| Net allowance to impairment | 3,304 | 3,739 |
| Impairment provisions used | (2,648) | (4,342) |
| Effect of exchange rate movements and other items | 143 | 334 |
| **TOTAL IMPAIRMENT AT END OF YEAR** | **28,475** | **27,676** |

### ➤ IMPAIRMENT BY ASSET TYPE

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Impairment of assets** | | |
| Loans and receivables due from credit institutions *(note 4.f)* | 188 | 241 |
| Loans and receivables due from customers *(note 4.g)* | 27,045 | 26,194 |
| Financial instruments of trading activities | 112 | 141 |
| Available-for-sale financial assets *(note 4.c)* | 78 | 75 |
| Other assets | 54 | 50 |
| **Total impairment of financial assets** | **27,477** | **26,701** |
| *of which specific impairment* | *24,335* | *23,200* |
| *of which collective provisions* | *3,142* | *3,501* |
| **Provisions recognised as liabilities** | | |
| Provisions for commitments given | | |
| to credit institutions | 7 | 16 |
| to customers | 477 | 422 |
| Other specific provisions | 514 | 537 |
| **Total provisions recognised for credit commitments *(note 4.q)*** | **998** | **975** |
| *of which specific impairment for commitments given* | *378* | *317* |
| *of which collective provisions* | *106* | *120* |
| **TOTAL IMPAIRMENT AND PROVISIONS** | **28,475** | **27,676** |

## 2.h COSTS RELATED TO THE COMPREHENSIVE SETTLEMENT WITH US AUTHORITIES

On 30 June 2014, the Group has come to a comprehensive settlement of the pending investigation relating to US dollar transactions involving parties subject to US sanctions, including agreements with the US Department of Justice, the US Attorney's Office for the Southern District of New York, the New York County District Attorney's Office, the Board of Governors of the US Federal Reserve System (FED), the New York State Department of Financial Services (DFS), and the US Department of the Treasury's Office of Foreign Assets Control (OFAC).

The settlement includes guilty pleas entered into by BNP Paribas SA in relation to violations of certain US laws and regulations regarding economic sanctions against certain countries and related recordkeeping.

BNP Paribas also agrees to pay a total of USD 8.97 billion (EUR 6.55 billion). Beyond what had already been provisioned as at 31 December 2013 (EUR 0.8 billion), this resulted in an exceptional charge of EUR 5.75 billion recorded in the second quarter of 2014. An uncertainty remains regarding the fiscal rule that will apply eventually to the different Group entities involved in the settlement. BNP Paribas has also accepted a temporary suspension of one year, starting 1 January 2015, of the USD direct clearing focused mainly on the Oil & Gas Energy & Commodity Finance business line in certain locations.

In 2014, the Group recorded a EUR 250 million provision for implementation costs related to the remediation plan agreed upon with US authorities, bringing the total costs related to the comprehensive settlement to EUR 6 billion for the year ended 31 December 2014.

In 2015, the Group reassessed the costs related to the remediation plan and recognised an additional allowance of EUR 100 million.

## 2.i CORPORATE INCOME TAX

| Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in France | Year to 31 Dec. 2016 in millions of euros | Year to 31 Dec. 2016 tax rate | Year to 31 Dec. 2015 in millions of euros | Year to 31 Dec. 2015 tax rate |
|---|---|---|---|---|
| **Corporate income tax expense on pre-tax income at standard tax rate in France[1]** | **(3,704)** | **34.4%** | **(4,098)** | **38.0%** |
| Impact of differently taxed foreign profits | 232 | -2.2% | 450 | -4.2% |
| Impact of dividends and securities disposals taxed at reduced rate | 278 | -2.5% | 334 | -3.1% |
| Tax impact of the non-deductibility of bank levies[2] | (187) | 1.7% | (150) | 1.4% |
| Tax impact of previously unrecognised deferred taxes (tax losses and temporary differences) | 268 | -2.4% | 7 | -0.1% |
| Tax impact of using tax losses for which no deferred tax asset was previously recognised | 9 | -0.1% | 30 | -0.3% |
| Other items | 9 | -0.1% | 92 | -0.8% |
| **Corporate income tax expense** | **(3,095)** | **28.8%** | **(3,335)** | **30.9%** |
| of which | | | | |
| *Current tax expense for the year to 31 December* | *(2,366)* | | *(2,428)* | |
| *Deferred tax expense for the year to 31 December (note 4.k)* | *(729)* | | *(907)* | |

*(1) Restated for the share of profits in equity-method entities and goodwill impairment.*
*(2) Bank levies are related to the 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 and Arval). 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, Investment Partners 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.

So as to be comparable with 2016, the segment information for 2015 has been restated of the following main effects as if these had occurred from 1 January 2015:

1. The capital allocated to each business line is now based on 11% of risk-weighted assets, compared to 9% previously. Furthermore, the capital allocated to the Insurance business is henceforth based on Solvency 2 standards;

2. Subordination costs of Additional Tier 1 and Tier 2 debt issued by the Group have been charged to the divisions and business lines. The Group has also reviewed the way it charges and remunerates liquidity between the Corporate Centre and the business lines. The allocation practices for revenues and operating expenses of Treasury activities within CIB have been adapted to take into account the new regulations on liquidity;
3. The contribution to the Single Resolution Fund, the reduction of the French systemic tax and the new contributions to the deposit guarantee funds of BNL bc and Luxembourg Retail Banking had been temporarily booked in the operating expenses of the Corporate Centre. These items have been allocated to the divisions and business lines;
4. Some limited internal transfers of activities and results have been made, the main one being the transfer of Cortal Consors France from Other Domestic Markets Activities (Personal Investors) to French Retail Banking.

These changes do not affect the Group income but only its analytical breakdown.

## ➤ INCOME BY BUSINESS SEGMENT

| *In millions of euros* | Year to 31 Dec. 2016 | | | | | | Year to 31 Dec. 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Revenues | Operating expenses | Cost of risk | Operating income | Non-operating items | Pre-tax income | Revenues | Operating expenses | Cost of risk | Exceptional costs[2] | Operating income | Non-operating items | Pre-tax income |
| **Retail Banking & Services** | | | | | | | | | | | | | |
| **Domestic Markets** | | | | | | | | | | | | | |
| French Retail Banking[1] | **6,113** | (4,525) | (341) | **1,247** | 2 | **1,249** | **6,274** | (4,508) | (341) | | **1,425** | 3 | **1,428** |
| BNL banca commerciale[1] | **2,895** | (1,846) | (959) | **90** | | **90** | **3,073** | (1,868) | (1,248) | | **(42)** | (1) | **(44)** |
| Belgian Retail Banking[1] | **3,490** | (2,484) | (95) | **912** | 6 | **918** | **3,392** | (2,370) | (86) | | **936** | (9) | **928** |
| Other Domestic Markets activities[1] | **2,671** | (1,481) | (115) | **1,076** | 47 | **1,123** | **2,487** | (1,380) | (136) | | **970** | 22 | **993** |
| **International Financial Services** | | | | | | | | | | | | | |
| Personal Finance | **4,679** | (2,298) | (979) | **1,401** | 40 | **1,442** | **4,661** | (2,315) | (1,176) | | **1,170** | 74 | **1,244** |
| International Retail Banking | | | | | | | | | | | | | |
| *Europe-Mediterranean[1]* | ***2,505*** | *(1,699)* | *(437)* | ***369*** | *197* | ***566*** | ***2,507*** | *(1,701)* | *(466)* | | ***339*** | *174* | ***513*** |
| *BancWest[1]* | ***2,937*** | *(2,006)* | *(85)* | ***846*** | *16* | ***862*** | ***2,795*** | *(1,853)* | *(50)* | | ***892*** | *31* | ***923*** |
| Insurance | **2,382** | (1,201) | 2 | **1,183** | 186 | **1,369** | **2,320** | (1,156) | (5) | | **1,158** | 171 | **1,329** |
| Wealth and Asset Management | **2,977** | (2,341) | 3 | **639** | 46 | **685** | **3,012** | (2,308) | (25) | | **679** | 46 | **725** |
| **Corporate & Institutional Banking** | | | | | | | | | | | | | |
| Corporate Banking | **3,994** | (2,451) | (292) | **1,251** | 13 | **1,265** | **4,007** | (2,470) | (138) | | **1,398** | 159 | **1,558** |
| Global Markets | **5,650** | (4,355) | 72 | **1,367** | 5 | **1,372** | **5,710** | (4,504) | (80) | | **1,125** | 2 | **1,127** |
| Securities Services | **1,824** | (1,503) | 3 | **324** | 1 | **325** | **1,790** | (1,483) | 6 | | **312** | (1) | **312** |
| **Other Activities** | **1,294** | (1,189) | (39) | **66** | (121) | **(55)** | **910** | (1,336) | (51) | (100) | **(577)** | (79) | **(656)** |
| **TOTAL GROUP** | **43,411** | **(29,378)** | **(3,262)** | **10,771** | **439** | **11,210** | **42,938** | **(29,254)** | **(3,797)** | **(100)** | **9,787** | **592** | **10,379** |

(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.*

(2) *Costs related to the comprehensive settlement with US authorities.*

### ASSETS AND LIABILITIES BY BUSINESS SEGMENT

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Asset | Liability | Asset | Liability |
| **Retail Banking & Services** | | | | |
| Domestic Markets | 428,209 | 450,921 | 409,243 | 409,515 |
| French Retail Banking | 174,374 | 183,049 | 158,579 | 165,318 |
| BNL banca commerciale | 75,694 | 67,122 | 73,850 | 55,169 |
| Belgian Retail Banking | 129,417 | 152,880 | 126,383 | 144,818 |
| Other Domestic Markets activities | 48,724 | 47,870 | 50,431 | 44,210 |
| International Financial Services | 449,480 | 413,948 | 420,915 | 390,116 |
| Personal Finance | 65,128 | 14,542 | 57,784 | 14,090 |
| International Retail Banking | 145,026 | 133,420 | 133,956 | 122,659 |
| *Europe-Mediterranean* | *52,166* | *47,172* | *51,674* | *45,735* |
| *BancWest* | *92,860* | *86,248* | *82,282* | *76,924* |
| Insurance | 222,742 | 216,029 | 211,172 | 205,092 |
| Wealth and Asset Management | 16,584 | 49,957 | 18,003 | 48,275 |
| **Corporate and Institutional Banking** | **1,121,096** | **1,068,811** | **1,084,212** | **1,027,433** |
| **Other Activities** | **78,174** | **143,279** | **79,823** | **167,129** |
| **TOTAL GROUP** | **2,076,959** | **2,076,959** | **1,994,193** | **1,994,193** |

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. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Europe | 31,712 | 31,484 |
| North America | 5,167 | 5,067 |
| Asia & Pacific | 3,075 | 3,223 |
| Others | 3,457 | 3,164 |
| **TOTAL GROUP** | **43,411** | **42,938** |

### ASSETS AND LIABILITIES, IN CONTRIBUTION TO THE CONSOLIDATED ACCOUNTS, BY GEOGRAPHIC AREA

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Europe | 1,676,686 | 1,565,574 |
| North America | 189,186 | 231,988 |
| Asia & Pacific | 155,342 | 143,390 |
| Others | 55,745 | 53,241 |
| **TOTAL GROUP** | **2,076,959** | **1,994,193** |

# Note 4. NOTES TO THE BALANCE SHEET AT 31 DECEMBER 2016

## 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.

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *In millions of euros* | 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 | 123,679 | 87,583 | 133,500 | 83,043 |
| Loans and repurchase agreements | 152,242 | 61 | 131,783 | 33 |
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | **275,921** | **87,644** | **265,283** | **83,076** |
| Securities portfolio | 70,326 | | 82,544 | |
| Borrowings and repurchase agreements | 183,206 | 3,017 | 156,771 | 2,384 |
| Debt securities *(note 4.i)* | | 47,710 | | 46,330 |
| Subordinated debt *(note 4.i)* | | 1,012 | | 1,382 |
| Debt representative of shares of consolidated funds held by third parties | | 2,337 | | 3,022 |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | **253,532** | **54,076** | **239,315** | **53,118** |

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 785 million at 31 December 2016 compared with EUR 588 million at 31 December 2015, and variable-income securities (shares mainly issued by BNP Paribas SA) amounted to EUR 62 million at 31 December 2016 compared with EUR 89 million at 31 December 2015. 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 2016 was EUR 52,358 million (EUR 51,325 million at 31 December 2015).

### 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 2016 Positive market value | 31 December 2016 Negative market value | 31 December 2015 Positive market value | 31 December 2015 Negative market value |
|---|---|---|---|---|
| Interest rate derivatives | 165,979 | 153,811 | 203,605 | 187,177 |
| Foreign exchange derivatives | 112,761 | 109,490 | 79,844 | 78,135 |
| Credit derivatives | 10,754 | 9,886 | 14,738 | 14,213 |
| Equity derivatives | 33,146 | 40,702 | 31,077 | 40,242 |
| Other derivatives | 5,522 | 4,851 | 7,360 | 6,061 |
| **DERIVATIVE FINANCIAL INSTRUMENTS** | **328,162** | **318,740** | **336,624** | **325,828** |

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.

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | 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 | 891,549 | 10,106,567 | 5,565,534 | 16,563,650 | 1,129,822 | 12,127,765 | 7,120,229 | 20,377,816 |
| Foreign exchange derivatives | 1,024 | 43,241 | 4,995,579 | 5,039,844 | 1,647 | 57,466 | 4,498,135 | 4,557,248 |
| Credit derivatives | | 249,262 | 727,007 | 976,269 | | 155,129 | 968,859 | 1,123,988 |
| Equity derivatives | 955,415 | 5,707 | 664,689 | 1,625,811 | 799,075 | 9,250 | 651,221 | 1,459,546 |
| Other derivatives | 95,365 | 33,769 | 57,128 | 186,262 | 100,915 | 12,336 | 30,268 | 143,519 |
| **DERIVATIVE FINANCIAL INSTRUMENTS** | **1,943,353** | **10,438,546** | **12,009,937** | **24,391,836** | **2,031,459** | **12,361,946** | **13,268,712** | **27,662,117** |

Cross currency swaps, previously included in interest rate derivatives, are now included in foreign exchange derivatives.

## 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 2016 Positive fair value | 31 December 2016 Negative fair value | 31 December 2015 Positive fair value | 31 December 2015 Negative fair value |
|---|---|---|---|---|
| **Fair value hedges** | **15,301** | **18,405** | **15,071** | **17,905** |
| Interest rate derivatives | 14,819 | 18,192 | 14,949 | 17,874 |
| Foreign exchange derivatives | 482 | 213 | 122 | 31 |
| **Cash flow hedges** | **2,789** | **1,220** | **2,888** | **3,162** |
| Interest rate derivatives | 2,402 | 729 | 2,756 | 1,229 |
| Foreign exchange derivatives | 313 | 491 | 119 | 1,929 |
| Other derivatives | 74 | | 13 | 4 |
| **Net foreign investment hedges** | **43** | **1** | **104** | **1** |
| Foreign exchange derivatives | 43 | 1 | 104 | 1 |
| **DERIVATIVES USED FOR HEDGING PURPOSES** | **18,133** | **19,626** | **18,063** | **21,068** |

The total notional amount of derivatives used for hedging purposes stood at EUR 949,767 million at 31 December 2016, compared with EUR 993,828 million at 31 December 2015.

## 4.c AVAILABLE-FOR-SALE FINANCIAL ASSETS

| *In millions of euros* | 31 December 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | 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** | **248,072** | **(78)** | **13,784** | **239,899** | **(75)** | **13,554** |
| Treasury bills and government bonds | 138,298 | (1) | 8,561 | 131,269 | (4) | 8,559 |
| Other fixed-income securities | 109,774 | (77) | 5,223 | 108,630 | (71) | 4,995 |
| **Equities and other variable-income securities** | **19,487** | **(3,192)** | **4,216** | **19,034** | **(3,090)** | **4,238** |
| Listed securities | 5,950 | (823) | 1,591 | 5,595 | (836) | 1,583 |
| Unlisted securities | 13,537 | (2,369) | 2,625 | 13,439 | (2,254) | 2,655 |
| **TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS** | **267,559** | **(3,270)** | **18,000** | **258,933** | **(3,165)** | **17,792** |

The gross amount of impaired fixed-income securities is EUR 99 million at 31 December 2016 (EUR 131 million at 31 December 2015).

The Visa Europe shares, included in the unlisted variable-income securities as at 31 December 2015 for EUR 430 million, were sold in accordance with the terms of the agreement with Visa Inc.

A net disposal gain of EUR 597 million before tax was recognised in the profit and loss account in 2016.

Changes in value taken directly to equity are detailed as follows:

| *In millions of euros* | 31 December 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | 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"** | **13,784** | **4,216** | **18,000** | **13,554** | **4,238** | **17,792** |
| Deferred tax linked to these changes in value | (4,504) | (948) | (5,452) | (4,548) | (856) | (5,404) |
| Insurance policyholders' surplus reserve from insurance entities, after deferred tax | (7,587) | (1,315) | (8,902) | (6,960) | (1,119) | (8,079) |
| Group share of changes in value of available-for-sale securities owned by equity-method entities, after deferred tax and insurance policyholders' surplus reserve | 807 | 99 | 906 | 889 | 92 | 981 |
| Unamortised changes in value of available-for-sale securities reclassified as loans and receivables | (16) | | (16) | (39) | | (39) |
| Other variations | (53) | (2) | (55) | (55) | (7) | (62) |
| **Changes in value of assets taken directly to equity under the heading "Financial assets available for sale and reclassified as loans and receivables"** | **2,431** | **2,050** | **4,481** | **2,841** | **2,348** | **5,189** |
| Attributable to equity shareholders | 2,339 | 2,033 | 4,372 | 2,735 | 2,331 | 5,066 |
| Attributable to minority interests | 92 | 17 | 109 | 106 | 17 | 123 |

➤ MATURITY SCHEDULE OF AVAILABLE-FOR-SALE FIXED-INCOME SECURITIES BY CONTRACTUAL MATURITY

| *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 |

| *In millions of euros, at 31 December 2015* | < 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | TOTAL |
|---|---|---|---|---|---|---|
| Fixed-income securities | 11,348 | 9,924 | 17,900 | 85,614 | 115,113 | 239,899 |

## 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 391 million as at 31 December 2016, compared with an increase in value of EUR 416 million as at 31 December 2015, i.e. a EUR 25 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 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** | | | | |

| *In millions of euros* | 31 December 2015 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Trading book | | | | Instruments designated as at fair value through profit or loss | | | | Available-for-sale financial assets | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Securities portfolio** | **102,232** | **29,517** | **1,751** | **133,500** | **67,177** | **12,123** | **3,743** | **83,043** | **204,988** | **44,625** | **9,320** | **258,933** |
| Treasury bills and government bonds | 48,509 | 4,632 | | 53,141 | 1,849 | | | 1,849 | 125,702 | 5,567 | | 131,269 |
| Asset Backed Securities(1) | - | 12,059 | 1,329 | 13,388 | - | - | - | - | - | 3,312 | 7 | 3,319 |
| *CDOs/CLOs(2)* | | *832* | *1,305* | *2,137* | | | | - | | *16* | | *16* |
| *Other Asset Backed Securities* | | *11,227* | *24* | *11,251* | | | | - | | *3,296* | *7* | *3,303* |
| Other fixed-income securities | 12,531 | 10,889 | 238 | 23,658 | 1,405 | 4,949 | 77 | 6,431 | 71,220 | 32,400 | 1,691 | 105,311 |
| Equities and other variable-income securities | 41,192 | 1,937 | 184 | 43,313 | 63,923 | 7,174 | 3,666 | 74,763 | 8,066 | 3,346 | 7,622 | 19,034 |
| **Loans and repurchase agreements** | **-** | **130,928** | **855** | **131,783** | **-** | **33** | **-** | **33** | | | | |
| Loans | | 433 | | 433 | | 33 | | 33 | | | | |
| Repurchase agreements | | 130,495 | 855 | 131,350 | | | | - | | | | |
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND AVAILABLE-FOR-SALE FINANCIAL ASSETS** | **102,232** | **160,445** | **2,606** | **265,283** | **67,177** | **12,156** | **3,743** | **83,076** | **204,988** | **44,625** | **9,320** | **258,933** |
| **Securities portfolio** | **75,894** | **6,231** | **419** | **82,544** | **-** | **-** | **-** | **-** | | | | |
| Treasury bills and government bonds | 55,724 | 1,383 | | 57,107 | | | | - | | | | |
| Other fixed-income securities | 5,387 | 4,797 | 417 | 10,601 | | | | - | | | | |
| Equities and other variable-income securities | 14,783 | 51 | 2 | 14,836 | | | | - | | | | |
| **Borrowings and repurchase agreements** | **-** | **154,499** | **2,272** | **156,771** | **-** | **2,296** | **88** | **2,384** | | | | |
| Borrowings | | 3,893 | | 3,893 | | 2,296 | 88 | 2,384 | | | | |
| Repurchase agreements | | 150,606 | 2,272 | 152,878 | | | | - | | | | |
| **Debt securities *(note 4.i)*** | **-** | **-** | **-** | **-** | **-** | **35,137** | **11,193** | **46,330** | | | | |
| **Subordinated debt *(note 4.i)*** | **-** | **-** | **-** | **-** | **-** | **1,382** | **-** | **1,382** | | | | |
| **Debt representative of shares of consolidated funds held by third parties** | **-** | **-** | **-** | **-** | **2,415** | **607** | **-** | **3,022** | | | | |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | **75,894** | **160,730** | **2,691** | **239,315** | **2,415** | **39,422** | **11,281** | **53,118** | | | | |

*(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 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** |

| *In millions of euros* | 31 December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Positive market value | | | | Negative market value | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Interest rate derivatives | 626 | 197,263 | 5,716 | 203,605 | 704 | 184,008 | 2,465 | 187,177 |
| Foreign exchange derivatives | | 79,822 | 22 | 79,844 | 1 | 78,059 | 75 | 78,135 |
| Credit derivatives | | 13,677 | 1,061 | 14,738 | | 13,022 | 1,191 | 14,213 |
| Equity derivatives | 5,646 | 23,845 | 1,586 | 31,077 | 5,824 | 29,547 | 4,871 | 40,242 |
| Other derivatives | 913 | 6,367 | 80 | 7,360 | 853 | 4,894 | 314 | 6,061 |
| **DERIVATIVE FINANCIAL INSTRUMENTS NOT USED FOR HEDGING PURPOSES** | **7,185** | **320,974** | **8,465** | **336,624** | **7,382** | **309,530** | **8,916** | **325,828** |
| **DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING PURPOSES** | **-** | **18,063** | **-** | **18,063** | **-** | **21,068** | **-** | **21,068** |

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 2016, 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 CLOs and CDOs of ABSs linked to legacy activity. Other Level 3 securities designated as at fair value through profit or loss or classified as available for sale comprise units of funds and unquoted equity shares.

CLOs represent 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.

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 reevaluated net book value, multiples of comparable companies, future cash flows method, multi-criteria approach.

***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 | | | | | |
| **Cash instruments** | 613 | | Collateralised Loan Obligations (CLO)<br>CDOs of ABSs (RMBSs, Commercial Real Estate Loans, CMBSs) | Combination of liquidation approach and discounted future cash flow approach | Discount margin | 26 bp to 1,303 bp(1) | 201 bp (a) |
| | | | | | Constant payment rate (CLOs) | 0 to 10% | 10% (b) |
| | | | | | Cash/synthetic funding basis (€) | 3 bp to 8 bp | not meaningful |
| **Repurchase agreements** | 731 | 1,398 | 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 79 bp | 42 bp (c) |
| **Interest rate derivatives** | 3,463 | 2,465 | 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% (c) |
| | | | Hybrid inflation rates/Interest rates derivatives | Hybrid Forex interest rate option pricing model | Correlation between interest rates and inflation rates mainly in Europe. | 3% to 42% | 32% (c) |
| | | | 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 10.3% | (d) |
| | | | | | Volatility of the year on year inflation rate | 0.3% to 2.0% | |
| | | | Forward Volatility products such as volatility swaps, mainly in euro | Interest rates option pricing model | Forward volatility of interest rates | 0.3% to 0.7% | (d) |
| | | | Balance-guaranteed fixed rate, basis or cross currency swaps, predominantly on European collateral pools | Prepayment modelling<br>Discounted cash flows | Constant prepayment rates | 0.0% to 40% | 9% (c) |
| **Credit Derivatives** | 675 | 1,193 | 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 99% | (d) |
| | | | | | Inter-regions default cross correlation | 80% to 90% | 90%(a) |
| | | | | | Recovery rate variance for single name underlyings | 0 to 25% | (d) |
| | | | N-to-default baskets | Credit default model | Default correlation | 50% to 91% | 85% (c) |
| | | | 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 312 bp(2) | 253 bp (a) |
| | | | | | Illiquid credit default spread curves (across main tenors) | 8 bp to 2,581 bp(3) | 139 bp (a) |
| **Equity Derivatives** | 1,738 | 5,925 | Simple and complex derivatives on multi-underlying baskets on stocks | Various volatility option models | Unobservable equity volatility | 0% to 94%(4) | (d) |
| | | | | | Unobservable equity correlation | 15% to 98% | 60% (a) |

*(1) The lower part of the range is relative to short-dated securities, while the upper relates to US CDOs of ABSs, which are not significant to the balance sheet since their prices are close to zero. Removing these outliers, the discount margin would range from 26 bp to 771 bp.*
*(2) The upper part of the range relates to non-material balance sheet and net risk position on a European corporate. The other part relates mainly to sovereign issuers.*
*(3) The upper bound of the range relates to a materials sector issuer that represents an insignificant portion of the balance sheet on CDSs with illiquid underlying. Removing this risk factor which has the highest spread, the upper bound of the range would be 750 bp.*
*(4) The upper part of the range relates to 4 equity instruments representing a non-material portion of the balance sheet on options with equity underlying instruments. Removing this outlier, the upper bound of the range would be around 94%.*
*(a) Weighting is not based on risks, but on an alternative methodology in relation with the Level 3 instruments (present value or notional)*
*(b) The upper bound of the range relates to CLOs which represent the large majority of the exposures*
*(c) Weights based on relevant risk axis at portfolio level*
*(d) 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 2015 and 31 December 2016:

| | 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 2014** | **19,955** | **2,803** | **9,233** | **31,991** | **(25,479)** | **(11,732)** | **(37,211)** |
| Purchases | 4,818 | 4,161 | 2,019 | **10,998** | | | - |
| Issues | | | | - | (2,128) | (9,021) | **(11,149)** |
| Sales | (2,291) | (3,470) | (1,292) | **(7,053)** | | | - |
| Settlements(1) | (11,355) | (89) | (999) | **(12,443)** | 15,159 | 8,519 | **23,678** |
| Transfers to level 3 | 1,012 | 130 | 245 | **1,387** | (463) | (1,607) | **(2,070)** |
| Transfers from level 3 | (1,750) | (63) | (440) | **(2,253)** | 1,440 | 2,464 | **3,904** |
| Gains (or losses) recognised in profit or loss with respect to transactions expired or terminated during the period | (1,778) | 122 | (162) | **(1,818)** | 1,339 | 250 | **1,589** |
| Gains (or losses) recognised in profit or loss with respect to unexpired instruments at the end of the period | 1,834 | 149 | (58) | **1,925** | (716) | 83 | **(633)** |
| Changes in fair value of assets and liabilities recognised directly in equity | | | | | | | |
| Items related to exchange rate movements | 626 | | 131 | **757** | (759) | (237) | **(996)** |
| Changes in fair value of assets and liabilities recognised in equity | | | 643 | **643** | | | - |
| **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)** |

(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, 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 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *In millions of euros* | Potential impact on income | Potential impact on equity | Potential impact on income | Potential impact on equity |
| Treasury bills and government bonds | | | | |
| Asset Backed Securities (ABS) | +/-12 | +/-1 | +/-27 | |
| *CDOs/CLOs* | *+/-12* | | *+/-26* | |
| *Other Asset Backed Securities* | | *+/-1* | *+/-1* | |
| Other fixed-income securities | +/-2 | +/-9 | +/-3 | +/-17 |
| Equities and other variable-income securities | +/-42 | +/-73 | +/-39 | +/-76 |
| Repurchase agreements | +/-7 | | +/-14 | |
| Derivative financial instruments | +/-844 | | +/-856 | |
| *Interest rate and foreign exchange derivatives* | *+/-605* | | *+/-623* | |
| *Credit derivatives* | *+/-59* | | *+/-45* | |
| *Equity derivatives* | *+/-169* | | *+/-179* | |
| *Other derivatives* | *+/-11* | | *+/-9* | |
| **SENSITIVITY OF LEVEL 3 FINANCIAL INSTRUMENTS** | **+/-907** | **+/-83** | **+/-939** | **+/-93** |

### 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 2015 | Deferred margin on transactions during the year | Margin taken to the profit and loss account during the year | Deferred margin at 31 December 2016 |
|---|---|---|---|---|
| Interest rate and foreign exchange derivatives | 316 | 107 | (92) | 331 |
| Credit derivatives | 119 | 47 | (62) | 104 |
| Equity derivatives | 313 | 192 | (190) | 315 |
| Other derivatives | 8 | | (2) | 6 |
| **Derivative financial instruments** | **756** | **346** | **(346)** | **756** |



## 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 2016 | | 31 December 2015 | |
|---|---|---|---|---|---|
| | | Carrying value | Market or model value | Carrying value | Market or model value |
| **Structured transactions and other fixed-income securities from the available-for-sale portfolio** | | **509** | **604** | **562** | **696** |
| of which Portuguese sovereign securities | 30 June 2011 | 274 | 301 | 333 | 388 |
| of which Irish sovereign securities | 30 June 2011 | 235 | 303 | 229 | 308 |
| **Structured transactions and other fixed-income securities from the trading portfolio** | **1 October 2008/ 30 June 2009** | **961** | **940** | **1,395** | **1,388** |

Without these reclassifications, the Group's net income would not have been significantly different for the year ended 31 December 2016, nor for the year ended 31 December 2015. Similarly, changes in value of assets and liabilities recognised directly in equity would not have been significantly different in 2016, nor in 2015.

## 4.f INTERBANK AND MONEY-MARKET ITEMS

### ➤ LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| On demand accounts | 6,513 | 9,346 |
| Loans[(1)] | 37,664 | 31,780 |
| Repurchase agreements | 3,422 | 2,542 |
| **TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, BEFORE IMPAIRMENT** | **47,599** | **43,668** |
| *of which doubtful loans* | *274* | *355* |
| **Impairment of loans and receivables due from credit institutions *(note 2.g)*** | **(188)** | **(241)** |
| specific impairment | (167) | (203) |
| collective provisions | (21) | (38) |
| **TOTAL LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS, NET OF IMPAIRMENT** | **47,411** | **43,427** |

*(1) Loans and receivables due from credit institutions include term deposits made with central banks, which amounted to EUR 2,192 million as at 31 December 2016 (EUR 1,665 million as at 31 December 2015).*



### ➤ DUE TO CREDIT INSTITUTIONS

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| On demand accounts | 10,775 | 8,527 |
| Borrowings | 60,189 | 70,109 |
| Repurchase agreements | 4,696 | 5,510 |
| **TOTAL DUE TO CREDIT INSTITUTIONS** | **75,660** | **84,146** |

## 4.g CUSTOMER ITEMS

### ➤ LOANS AND RECEIVABLES DUE FROM CUSTOMERS

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| On demand accounts | 45,672 | 46,790 |
| Loans to customers | 663,329 | 628,796 |
| Repurchase agreements | 1,723 | 5,448 |
| Finance leases | 28,554 | 27,657 |
| **TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, BEFORE IMPAIRMENT** | **739,278** | **708,691** |
| *of which doubtful loans* | *41,779* | *41,251* |
| **Impairment of loans and receivables due from customers *(note 2.g)*** | **(27,045)** | **(26,194)** |
| specific impairment | (23,924) | (22,730) |
| collective provisions | (3,121) | (3,464) |
| **TOTAL LOANS AND RECEIVABLES DUE FROM CUSTOMERS, NET OF IMPAIRMENT** | **712,233** | **682,497** |

### BREAKDOWN OF FINANCE LEASES

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Gross investment | 31,755 | 31,400 |
| *Receivable within 1 year* | *9,479* | *8,741* |
| *Receivable after 1 year but within 5 years* | *17,576* | *17,134* |
| *Receivable beyond 5 years* | *4,700* | *5,525* |
| Unearned interest income | (3,201) | (3,743) |
| Net investment before impairment | 28,554 | 27,657 |
| *Receivable within 1 year* | *8,562* | *7,728* |
| *Receivable after 1 year but within 5 years* | *15,731* | *14,994* |
| *Receivable beyond 5 years* | *4,261* | *4,935* |
| Impairment provisions | (990) | (1,058) |
| Net investment after impairment | 27,564 | 26,599 |



### DUE TO CUSTOMERS

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| On demand deposits | 443,379 | 399,364 |
| Savings accounts | 145,273 | 135,254 |
| Term accounts and short-term notes | 174,943 | 160,498 |
| Repurchase agreements | 2,358 | 5,193 |
| **TOTAL DUE TO CUSTOMERS** | **765,953** | **700,309** |

## 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 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** |

| | 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|
| *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 | 164 | 15 | | | 179 | 315 |
| Loans and receivables due from customers | 13,433 | 466 | 263 | 308 | 14,470 | 7,793 |
| **TOTAL PAST-DUE BUT NOT IMPAIRED LOANS** | **13,597** | **481** | **263** | **308** | **14,679** | **8,108** |

## ➤ DOUBTFUL LOANS

| *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** |

| *In millions of euros* | 31 December 2015 | | | |
|---|---|---|---|---|
| | Doubtful loans | | | Collateral received |
| | Gross value | Impairment | Net | |
| Available-for-sale financial assets (excl. variable-income securities) *(note 4.c)* | 131 | (75) | 56 | |
| Loans and receivables due from credit institutions *(note 4.f)* | 355 | (203) | 152 | 303 |
| Loans and receivables due from customers *(note 4.g)* | 41,251 | (22,730) | 18,521 | 11,814 |
| **Doubtful assets** | **41,737** | **(23,008)** | **18,729** | **12,117** |
| Financing commitments given | 619 | (32) | 587 | 515 |
| Guarantee commitments given | 1,002 | (285) | 717 | |
| **Off-balance sheet doubtful commitments** | **1,621** | **(317)** | **1,304** | **515** |
| **TOTAL** | **43,358** | **(23,325)** | **20,033** | **12,632** |

## 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 2016 | 31 December 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Debt securities** | | | | | | | | | 47,710 | 46,330 |
| **Subordinated debt** | | | | | | | 162 | 166 | 1,012 | 1,382 |
| **Redeemable subordinated debt** | | | [3] | | | | - | 166 | 424 | 473 |
| **Perpetual subordinated debt** | | | | | | | 162 | - | 588 | 909 |
| BNP Paribas Fortis Dec. 2007 | EUR | 3,000 | Dec.-14 | 3-month Euribor +200 bp | | A | 162 | | 588 | 889 |
| Others | | | | | | | | - | - | 20 |

(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 mainly 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.

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.

As at 31 December 2016, the subordinated liability is eligible to Tier 1 capital for EUR 162 million (considering both the transitional period and this agreement).

Maturity schedule of medium and long-term debt securities and redeemable subordinated debt designated as at fair value through profit or loss with a maturity at issuance of more than one year, by contractual maturity:

| 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 | 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** |

| Maturity or call option date, *in millions of euros* | 2016 | 2017 | 2018 | 2019 | 2020 | 2021-2025 | After 2025 | Total at 31 Dec. 2015 |
|---|---|---|---|---|---|---|---|---|
| Medium- and long-term debt securities | 11,894 | 6,255 | 5,141 | 4,367 | 5,944 | 8,487 | 4,242 | 46,330 |
| Redeemable subordinated debt | 19 | 271 | 45 | - | 67 | 30 | 41 | 473 |
| **TOTAL** | **11,913** | **6,526** | **5,186** | **4,367** | **6,011** | **8,517** | **4,283** | **46,803** |

## ➤ DEBT SECURITIES MEASURED AT AMORTISED COST

| 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 Tier1 | Amount[2] eligible to Tier2 | 31 December 2016 | 31 December 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Debt securities | | | | | | | | | 153,422 | 159,447 |
| **Debt securities in issue with an initial maturity of less than one year** | | | | | | | | | **78,726** | **80,488** |
| Negotiable debt securities | | | | | | | | | 78,726 | 80,488 |
| **Debt securities in issue with an initial maturity of more than one year** | | | | | | | | | **74,696** | **78,959** |
| Negotiable debt securities | | | | | | | | | 70,379 | 70,918 |
| Bonds | | | | | | | | | 4,317 | 8,041 |
| Subordinated debt | | | | | | | - | 12,985 | 18,374 | 16,544 |
| **Redeemable subordinated debt** | | | (3) | | | | **-** | **12,152** | **16,511** | **14,700** |
| **Undated subordinated notes** | | | (3) | | | | **-** | **611** | **1,627** | **1,613** |
| 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 | | 260 | 260 | 252 |
| BNP Paribas Cardif Nov. 14 | EUR | 1,000 | Nov.-25 | 4.032% | 3-month Euribor +393 bp | D | | | 1,000 | 1,000 |
| Others | | | | | | | | 97 | 113 | 107 |
| **Participating notes** | | | | | | | **-** | **222** | **222** | **222** |
| BNP Paribas SA July 84[4] | EUR | 337 | - | (5) | - | NA | | 215 | 215 | 215 |
| Others | | | | | | | | 7 | 7 | 7 |
| **Expenses and commission, related debt** | | | | | | | **-** | **-** | **14** | **9** |

*(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 in ordinary session 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.*

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* | 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** |

| Maturity or call option date, *in millions of euros* | 2016 | 2017 | 2018 | 2019 | 2020 | 2021-2025 | After 2025 | Total at 31 Dec. 2015 |
|---|---|---|---|---|---|---|---|---|
| Medium- and long-term debt securities | 13,835 | 15,636 | 6,957 | 7,760 | 9,371 | 23,806 | 1,594 | 78,959 |
| Redeemable subordinated debt | 2,705 | 3,385 | 484 | 177 | 147 | 4,743 | 3,059 | 14,700 |
| **TOTAL** | **16,540** | **19,021** | **7,441** | **7,937** | **9,518** | **28,549** | **4,653** | **93,659** |

## 4.j HELD-TO-MATURITY FINANCIAL ASSETS



| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Treasury bills and government bonds | 5,937 | 7,587 |
| Other fixed-income securities | 163 | 170 |
| **TOTAL HELD-TO-MATURITY FINANCIAL ASSETS** | **6,100** | **7,757** |

No held-to-maturity financial asset was impaired as at 31 December 2016, nor as at 31 December 2015.

### ➤ MATURITY SCHEDULE OF HELD-TO-MATURITY FINANCIAL ASSETS BY CONTRACTUAL MATURITY:

| *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 |

| *In millions of euros, at 31 December 2015* | < 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 | 141 | 187 | 1,460 | 4,456 | 1,513 | 7,757 |

## 4.k CURRENT AND DEFERRED TAXES

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Current taxes | 1,869 | 1,487 |
| Deferred taxes | 6,097 | 6,378 |
| **Current and deferred tax assets** | **7,966** | **7,865** |
| Current taxes | 920 | 826 |
| Deferred taxes | 2,167 | 2,167 |
| **Current and deferred tax liabilities** | **3,087** | **2,993** |

### ➤ CHANGE IN DEFERRED TAX OVER THE PERIOD

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **NET DEFERRED TAXES AT START OF PERIOD** | **4,211** | **5,032** |
| Net losses arising from deferred taxes *(note 2.i)* | (729) | (907) |
| Changes in deferred taxes linked to changes in value and reversal through profit or loss of changes in value of available-for-sale financial assets, including those reclassified as loans and receivables | 241 | 89 |
| Changes in deferred taxes linked to changes in value and reversal through profit or loss of changes in value of cash flow hedge derivatives | 208 | 14 |
| Changes in deferred taxes linked to items recognised directly in equity that will not be reclassified to profit and loss | 98 | (199) |
| Effect of exchange rate, scope and other movements | (99) | 182 |
| **NET DEFERRED TAXES AT END OF PERIOD** | **3,930** | **4,211** |

### ➤ BREAKDOWN OF DEFERRED TAX ASSETS AND LIABILITIES BY NATURE

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Available-for-sale financial assets, including those reclassified as loans and receivables | (978) | (1,219) |
| Unrealised finance lease reserve | (613) | (629) |
| Provisions for employee benefit obligations | 1,105 | 1,048 |
| Provisions for credit risk | 2,840 | 3,092 |
| Other items | (375) | (166) |
| Tax loss carryforwards | 1,951 | 2,085 |
| **NET DEFERRED TAXES** | **3,930** | **4,211** |
| Deferred tax assets | 6,097 | 6,378 |
| Deferred tax liabilities | (2,167) | (2,167) |

Unrecognised deferred tax assets totalled EUR 1,645 million at 31 December 2016 compared with EUR 2,177 million at 31 December 2015.

In order to determine the size 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.

Main entities with deferred tax assets recognised on tax loss carryforwards:

| *In millions of euros* | 31 December 2016 | Statutory time limit on carryforwards | Expected recovery period |
|---|---|---|---|
| BNP Paribas Fortis | 1,507 | unlimited | 6 years |
| BNP Paribas Securities Japan Ltd | 60 | 9 years | 5 years |
| Others | 384 | | |
| **TOTAL DEFERRED TAX ASSETS RELATING TO TAX LOSS CARRYFORWARDS** | **1,951** | | |

## 4.l ACCRUED INCOME/EXPENSE AND OTHER ASSETS/LIABILITIES

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Guarantee deposits and bank guarantees paid | 66,722 | 65,590 |
| Settlement accounts related to securities transactions | 14,584 | 11,798 |
| Collection accounts | 555 | 446 |
| Reinsurers' share of technical reserves | 2,866 | 2,909 |
| Accrued income and prepaid expenses | 5,618 | 5,062 |
| Other debtors and miscellaneous assets | 25,622 | 22,213 |
| **TOTAL ACCRUED INCOME AND OTHER ASSETS** | **115,967** | **108,018** |
| Guarantee deposits received | 54,249 | 50,284 |
| Settlement accounts related to securities transactions | 11,049 | 7,337 |
| Collection accounts | 695 | 1,085 |
| Accrued expense and deferred income | 7,674 | 7,697 |
| Other creditors and miscellaneous liabilities | 25,740 | 22,226 |
| **TOTAL ACCRUED EXPENSE AND OTHER LIABILITIES** | **99,407** | **88,629** |

The movement in "Reinsurers' share of technical reserves" breaks down as follows:

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **REINSURERS' SHARE OF TECHNICAL RESERVES AT START OF PERIOD** | **2,909** | **2,782** |
| Increase in technical reserves borne by reinsurers | 295 | 484 |
| Amounts received in respect of claims and benefits passed on to reinsurers | (378) | (358) |
| Effect of changes in exchange rates and scope of consolidation | 40 | 1 |
| **REINSURERS' SHARE OF TECHNICAL RESERVES AT END OF PERIOD** | **2,866** | **2,909** |

## 4.m EQUITY-METHOD INVESTMENTS

Cumulated financial information of associates and joint ventures is presented in the following table:

| | Year to 31 Dec. 2016 | | | 31 December 2016 | Year to 31 Dec. 2015 | | | 31 December 2015 |
|---|---|---|---|---|---|---|---|---|
| *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 | 36 | 11 | 47 | 1,023 | 29 | (38) | (9) | 1,059 |
| Associates[(1)] | 597 | (108) | 489 | 5,887 | 560 | 158 | 718 | 5,837 |
| **TOTAL EQUITY-METHOD ENTITIES** | **633** | **(97)** | **536** | **6,910** | **589** | **120** | **709** | **6,896** |

*(1) Including controlled but non material entities consolidated under the equity method.*

4

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:

| | | | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Country of registration | Activity | Interest (%) | Equity-method investments | Interest (%) | Equity-method investments |
| **JOINT VENTURES** | | | | | | |
| Bpost banque | Belgium | Retail Banking | 50% | 366 | 50% | 366 |
| Union de Creditos Inmobiliarios | Spain | Retail mortgage | 50% | 267 | 50% | 273 |
| **ASSOCIATES** | | | | | | |
| AG Insurance | Belgium | Insurance | 25% | 1,613 | 25% | 1,695 |
| Bank of Nanjing | China | Retail Banking | 19% | 1,448 | 19% | 1,308 |

## 4.n PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS USED IN OPERATIONS, INVESTMENT PROPERTY

| *In millions of euros* | 31 December 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | Gross value | Accumulated depreciation, amortisation and impairment | Carrying amount | Gross value | Accumulated depreciation, amortisation and impairment | Carrying amount |
| **INVESTMENT PROPERTY** | **2,203** | **(292)** | **1,911** | **1,895** | **(256)** | **1,639** |
| Land and buildings | 7,800 | (1,994) | 5,806 | 7,676 | (2,009) | 5,667 |
| Equipment, furniture and fixtures | 7,024 | (4,896) | 2,128 | 7,061 | (5,004) | 2,057 |
| Plant and equipment leased as lessor under operating leases | 18,649 | (5,063) | 13,586 | 17,486 | (4,959) | 12,527 |
| Other property, plant and equipment | 2,088 | (1,085) | 1,003 | 2,406 | (1,064) | 1,342 |
| **PROPERTY, PLANT AND EQUIPMENT** | **35,561** | **(13,038)** | **22,523** | **34,629** | **(13,036)** | **21,593** |
| Purchased software | 3,332 | (2,483) | 849 | 3,270 | (2,487) | 783 |
| Internally-developed software | 4,309 | (3,304) | 1,005 | 4,051 | (3,158) | 893 |
| Other intangible assets | 1,815 | (430) | 1,385 | 1,832 | (404) | 1,428 |
| **INTANGIBLE ASSETS** | **9,456** | **(6,217)** | **3,239** | **9,153** | **(6,049)** | **3,104** |

### 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 estimated fair value of investment property accounted for at amortised cost at 31 December 2016 is EUR 2,143 million, compared with EUR 1,846 million at 31 December 2015.

### 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 2016 | 31 December 2015 |
|---|---|---|
| **Future minimum lease payments receivable under non-cancellable leases** | **5,676** | **5,650** |
| *Payments receivable within 1 year* | *2,503* | *2,539* |
| *Payments receivable after 1 year but within 5 years* | *3,121* | *3,053* |
| *Payments receivable beyond 5 years* | *52* | *58* |

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 2016 was EUR 1,713 million, compared with EUR 1,661 million for the year ended 31 December 2015.

The net decrease in impairment on property, plant, equipment and intangible assets taken to the profit and loss account in the year ended 31 December 2016 amounted to EUR 16 million, compared with EUR 7 million for the year ended 31 December 2015.

## 4.o GOODWILL

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **CARRYING AMOUNT AT START OF PERIOD** | **10,316** | **10,577** |
| Acquisitions | 55 | 296 |
| Divestments | (67) | (9) |
| Impairment recognised during the period | (182) | (993) |
| Exchange rate adjustments | 91 | 440 |
| Other movements | 3 | 5 |
| **CARRYING AMOUNT AT END OF PERIOD** | **10,216** | **10,316** |
| Gross value | 13,012 | 13,031 |
| Accumulated impairment recognised at the end of period | (2,796) | (2,715) |

Goodwill by cash-generating unit is as follows:



| | Carrying amount | | Impairment recognised during the period | | Acquisitions during the period | |
|---|---|---|---|---|---|---|
| *In millions of euros* | 31 Dec. 2016 | 31 Dec. 2015 | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
| **Retail Banking & Services** | **9,070** | **9,141** | **(182)** | **(993)** | **55** | **268** |
| **Domestic Markets** | **1,269** | **1,275** | - | **(917)** | **55** | **248** |
| Arval | 509 | 581 | | | (38) | 245 |
| BNL banca commerciale | | | | (917) | | |
| Leasing Solutions | 136 | 139 | | | | |
| Personal Investors | 618 | 549 | | | 93 | 3 |
| Others | 6 | 6 | | | | |
| **International Financial Services** | **7,801** | **7,866** | **(182)** | **(76)** | **-** | **20** |
| Insurance | 296 | 298 | | | | 5 |
| BancWest | 4,728 | 4,581 | | | | |
| Bank BGŻ BNP Paribas | | 131 | (127) | | | 29 |
| Investment Partners | 177 | 177 | | | | |
| Personal Finance | 1,342 | 1,291 | | | | (14) |
| Personal Finance – partnership tested individually | 384 | 438 | (54) | | | |
| Real Estate | 370 | 377 | (1) | | | |
| Turk Ekonomi Bankasi A.S | 191 | 223 | | | | |
| Wealth Management | 276 | 319 | | (76) | | |
| Others | 37 | 31 | | | | |
| **Corporate & Institutional Banking** | **1,143** | **1,172** | **-** | **-** | **-** | **28** |
| Corporate Banking | 280 | 278 | | | | |
| Global Markets | 438 | 433 | | | | |
| Securities Services | 425 | 461 | | | | 28 |
| **Other Activities** | **3** | **3** | - | - | - | - |
| **TOTAL GOODWILL** | **10,216** | **10,316** | **(182)** | **(993)** | **55** | **296** |
| **CHANGE IN VALUE OF GOODWILL RECOGNISED IN THE PROFIT AND LOSS ACCOUNT** | | | **(182)** | **(993)** | | |

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.
- **BNL banca commerciale:** Italy's 6th largest bank in terms of total assets and loans to customers. BNL bc provides a comprehensive range of banking, financial and insurance products and services to meet the needs of its diversified client base. BNL bc has a strong position in lending, especially residential mortgages. BNL bc also has a long-stand tradition in supporting large companies and local authorities, with a reputation in cross-border payments, project financing and structured finance, as well as factoring through its specialised subsidiary Ifitalia.
- **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.
- **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, on mobile applications, 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 and asset managers.
- **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, warranty extensions, non-life insurance, unemployment insurance, return-to-work assistance, protection of private digital data, etc.
- **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 19 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 August 2016, the Group launched an Initial Public Offer on First Hawaiian Inc. and holds as at 31 December 2016 82.6% of its capital.
- **Bank BGŻ BNP Paribas:** Bank BGŻ 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 BGŻ BNP Paribas. The integration of these two entities continued in 2016 and the number of agencies in Poland reached 498 at the end of 2016.
- **Investment Partners:** BNP Paribas Investment Partners is the dedicated asset management business line of the BNP Paribas Group and offers services to both private and institutional investors (through internal distributors – BNP Paribas Private and Retail Banking – and external distributors) worldwide. To reinforce its local roots and adjust its offer to the specific needs of each client, BNP Paribas Investment Partners adopts a client-focused approach throughout a broad range of expertise (notably equities and bonds of developed markets, sustainable investment, emerging markets, multi-asset solutions).
- **Personal Finance:** BNP Paribas Personal Finance (PF) 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.

  A partnership of the BNP Paribas Personal Finance homogeneous group is tested individually for impairment.
- **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).
- **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:** BNP Paribas 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 the increased regulatory capital requirements for BNL banca commerciale, the goodwill allocated to the BNL bc homogeneous group (EUR 917 million) had been impaired in its entirety in 2015.

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).

## ➤ 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** | **7.4%** | **9.3%** |
| Adverse change (+10 basis points) | (172) | (197) |
| Positive change (- 10 basis points) | 179 | 203 |
| **Cost/income ratio** | **60.6%** | **47.4%** |
| Adverse change (+1%) | (367) | (594) |
| Positive change (-1%) | 367 | 594 |
| **Cost of risk** | **(220)** | **(1,504)** |
| Adverse change (+5%) | (99) | (470) |
| Positive change (- 5%) | 99 | 470 |
| **Growth rate to perpetuity** | **2.0%** | **2.2%** |
| Adverse change (-50 basis points) | (332) | (501) |
| Positive change (+50 basis points) | 400 | 578 |

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 2016 | 31 December 2015 |
|---|---|---|
| **Liabilities related to insurance contracts** | **141,368** | **135,664** |
| Gross technical reserves | | |
| Unit-linked contracts | 52,314 | 50,082 |
| Other insurance contracts | 89,054 | 85,582 |
| **Liabilities related to financial contracts with discretionary participation feature** | **34,719** | **33,516** |
| **Policyholders' surplus reserve – liability** | **17,539** | **15,863** |
| **TOTAL TECHNICAL RESERVES OF INSURANCE COMPANIES** | **193,626** | **185,043** |
| Liabilities related to unit-linked financial contracts(1) | 3,624 | 2,259 |
| **TOTAL LIABILITIES RELATED TO CONTRACTS WRITTEN BY INSURANCE COMPANIES** | **197,250** | **187,302** |

*(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 2016, unchanged from 2015.



The movement in liabilities related to insurance contracts breaks down as follows:

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **LIABILITIES RELATED TO INSURANCE CONTRACTS AT START OF PERIOD** | **187,302** | **177,648** |
| Additions to insurance contract technical reserves and deposits taken on financial contracts related to life insurance | 23,098 | 22,040 |
| Claims and benefits paid | (14,694) | (14,874) |
| Effect of changes in value of admissible investments related to unit-linked business | 979 | 2,143 |
| Effect of movements in exchange rates | 474 | 300 |
| Effect of changes in the scope of consolidation | 91 | 45 |
| **LIABILITIES RELATED TO INSURANCE CONTRACTS AT END OF PERIOD** | **197,250** | **187,302** |

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. 2015 | Net additions to provisions | Provisions used | Changes in value recognised directly in equity | Effect of movements in exchange rates and other movements | 31 Dec. 2016 |
|---|---|---|---|---|---|---|
| **Provisions for employee benefits** | **6,681** | **995** | **(780)** | **323** | **(30)** | **7,189** |
| of which post-employment benefits *(note 6.b)* | 4,497 | (13) | (192) | 311 | (13) | 4,590 |
| of which post-employment healthcare benefits *(note 6.b)* | 150 | (8) | | 12 | 1 | 155 |
| of which provision for other long-term benefits *(note 6.c)* | 1,182 | 317 | (219) | | (13) | 1,267 |
| of which provision for voluntary departure, early retirement plans, and headcount adaptation plan *(note 6.d)* | 342 | 233 | (75) | | (5) | 495 |
| of which provision for share-based payments *(note 6.e)* | 510 | 466 | (294) | | | 682 |
| **Provisions for home savings accounts and plans** | **169** | **5** | **-** | | **-** | **174** |
| **Provisions for credit commitments *(note 2.g)*** | **975** | **56** | **(48)** | | **15** | **998** |
| **Provisions for litigations** | **1,590** | **297** | **(227)** | | **(25)** | **1,635** |
| **Other provisions for contingencies and charges** | **1,930** | **188** | **(315)** | | **2** | **1,805** |
| **TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES** | **11,345** | **1,541** | **(1,370)** | **323** | **(38)** | **11,801** |

### ➤ PROVISIONS AND DISCOUNT FOR HOME SAVINGS ACCOUNTS AND PLANS

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Deposits collected under home savings accounts and plans** | **17,938** | **17,429** |
| of which deposits collected under home savings plans | 15,663 | 15,016 |
| *Aged more than 10 years* | *3,230* | *3,424* |
| *Aged between 4 and 10 years* | *5,645* | *4,503* |
| *Aged less than 4 years* | *6,788* | *7,089* |
| **Outstanding loans granted under home savings accounts and plans** | **112** | **164** |
| of which loans granted under home savings plans | 19 | 29 |
| **Provisions and discount recognised for home savings accounts and plans** | **176** | **172** |
| provisions recognised for home savings plans | 172 | 166 |
| provisions recognised for home savings accounts | 2 | 3 |
| discount recognised for home savings accounts and plans | 2 | 3 |

## 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 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** |

| *In millions of euros, at 31 December 2015* | 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 | 133,500 | | 133,500 | | | 133,500 |
| Loans | 433 | | 433 | | | 433 |
| Repurchase agreements | 252,675 | (121,325) | 131,350 | (19,161) | (111,526) | 663 |
| Instruments designated as at fair value through profit or loss | 83,076 | | 83,076 | | | 83,076 |
| Derivative financial instruments (including derivatives used for hedging purposes) | 486,881 | (132,194) | 354,687 | (272,364) | (34,620) | 47,703 |
| Loans and receivables due from customers and credit institutions | 727,212 | (1,288) | 725,924 | (1,165) | (6,784) | 717,975 |
| *of which repurchase agreements* | *7,990* | | *7,990* | *(1,165)* | *(6,784)* | *41* |
| Accrued income and other assets | 108,703 | (685) | 108,018 | | (38,335) | 69,683 |
| *of which guarantee deposits paid* | *65,590* | | *65,590* | | *(38,335)* | *27,255* |
| Other assets not subject to offsetting | 457,205 | | 457,205 | | | 457,205 |
| **TOTAL ASSETS** | **2,249,685** | **(255,492)** | **1,994,193** | **(292,690)** | **(191,265)** | **1,510,238** |

| *In millions of euros, at 31 December 2015* | 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 | 82,544 | | 82,544 | | | 82,544 |
| Borrowings | 3,893 | | 3,893 | | | 3,893 |
| Repurchase agreements | 274,203 | (121,325) | 152,878 | (18,996) | (130,494) | 3,388 |
| Instruments designated as at fair value through profit or loss | 53,118 | | 53,118 | | | 53,118 |
| Derivative financial instruments (including derivatives used for hedging purposes) | 479,090 | (132,194) | 346,896 | (272,364) | (38,496) | 36,036 |
| Due to customers and to credit institutions | 785,743 | (1,288) | 784,455 | (1,330) | (9,136) | 773,989 |
| *of which repurchase agreements* | *10,703* | | *10,703* | *(1,330)* | *(9,136)* | *237* |
| Accrued expense and other liabilities | 89,314 | (685) | 88,629 | | (34,730) | 53,899 |
| *of which guarantee deposits received* | *50,284* | | *50,284* | | *(34,730)* | *15,554* |
| Other liabilities not subject to offsetting | 381,703 | | 381,703 | | | 381,703 |
| **TOTAL LIABILITIES** | **2,149,608** | **(255,492)** | **1,894,116** | **(292,690)** | **(212,856)** | **1,388,570** |

## 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, at* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | 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 | 2,800 | | 3,870 | |
| Securities classified as loans and receivables | - | | 12 | |
| Available-for-sale financial assets | 5,546 | | 2,970 | |
| **Repurchase agreements** | | | | |
| Securities at fair value through profit or loss | 39,642 | 38,121 | 39,631 | 38,602 |
| Securities classified as loans and receivables | 356 | 314 | 1,093 | 1,090 |
| Available-for-sale financial assets | 8,967 | 8,960 | 10,373 | 10,356 |
| **Other transactions** | | | | |
| Securities at fair value through profit or loss | 195 | 195 | 327 | 327 |
| **TOTAL** | **57,506** | **47,590** | **58,276** | **50,375** |

### ➤ SECURITISATION TRANSACTIONS PARTIALLY REFINANCED BY EXTERNAL INVESTORS, WHOSE RECOURSE IS LIMITED TO THE TRANSFERRED ASSETS:

| *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** |

| *In millions of euros, at 31 December 2015* | 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 | 16,189 | 15,088 | 16,839 | 15,242 | 1,597 |
| Available-for-sale financial assets | 298 | 295 | 299 | 299 | - |
| **TOTAL** | **16,487** | **15,383** | **17,138** | **15,541** | **1,597** |

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 2016 | 31 December 2015 |
|---|---|---|
| Financing commitments given | | |
| to credit institutions | 3,833 | 5,879 |
| to customers | 283,326 | 269,937 |
| Confirmed financing commitments | 219,320 | 209,425 |
| Other commitments given to customers | 64,006 | 60,512 |
| **TOTAL FINANCING COMMITMENTS GIVEN** | **287,159** | **275,816** |
| Financing commitments received | | |
| from credit institutions | 106,964 | 100,343 |
| from customers | 2,145 | 1,601 |
| **TOTAL FINANCING COMMITMENTS RECEIVED** | **109,109** | **101,944** |

## 5.b GUARANTEE COMMITMENTS GIVEN BY SIGNATURE

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Guarantee commitments given | | |
| to credit institutions | 11,696 | 11,995 |
| to customers | 117,281 | 109,892 |
| Property guarantees | 1,392 | 1,206 |
| Sureties provided to tax and other authorities, other sureties | 46,661 | 45,813 |
| Other guarantees | 69,228 | 62,873 |
| **TOTAL GUARANTEE COMMITMENTS GIVEN** | **128,977** | **121,887** |

## 5.c OTHER GUARANTEE COMMITMENTS

### ➤ FINANCIAL INSTRUMENTS GIVEN AS COLLATERAL

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| 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 | 121,349 | 113,192 |
| Used as collateral with central banks | 22,529 | 20,153 |
| Available for refinancing transactions | 98,820 | 93,039 |
| Securities sold under repurchase agreements | 322,308 | 275,497 |
| Other financial assets pledged as collateral for transactions with credit institutions, financial customers or subscribers of covered bonds issued by the Group(1) | 141,674 | 120,871 |

*(1) Notably including "Société de Financement de l'Économie Française" and "Caisse de Refinancement de l'Habitat" financing.*

Financial instruments given as collateral by the Group that the beneficiary is authorised to sell or reuse as collateral amounted to EUR 428,421 million at 31 December 2016 (EUR 357,722 million at 31 December 2015).

### ➤ FINANCIAL INSTRUMENTS RECEIVED AS COLLATERAL

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Financial instruments received as collateral (excluding repurchase agreements)** | **114,550** | **83,649** |
| *of which instruments that the Group is authorised to sell and reuse as collateral* | *90,959* | *59,817* |
| **Securities received under repurchase agreements** | **288,087** | **266,093** |

The financial instruments received as collateral or under repurchase agreements that the Group effectively sold or reused as collateral amounted to EUR 245,149 million at 31 December 2016 (compared with EUR 207,333 million at 31 December 2015).

## Note 6. SALARIES AND EMPLOYEE BENEFITS

### 6.a SALARY AND EMPLOYEE BENEFIT EXPENSE



| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Fixed and variable remuneration, incentive bonuses and profit-sharing | 12,067 | 11,882 |
| Employee benefit expense | 3,787 | 3,660 |
| Payroll taxes | 548 | 519 |
| **TOTAL SALARY AND EMPLOYEE BENEFIT EXPENSE** | **16,402** | **16,061** |

### 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 2016 was EUR 604 million, compared with EUR 606 million for the year to 31 December 2015.

The breakdown by major contributors is determined as follows:

| Contribution amount<br>*In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| France | 306 | 299 |
| Italy | 62 | 60 |
| UK | 51 | 57 |
| USA | 43 | 38 |
| Turkey | 43 | 43 |
| Others | 99 | 109 |
| **TOTAL** | **604** | **606** |

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 94% at 31 December 2016 (compared with 97% at 31 December 2015) 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 83% as at 31 December 2016 (85% at 31 December 2015) 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 2016, 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 2016, 96% of these pension plans were funded through insurance companies (93% at 31 December 2015).

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 2016, obligations for all UK entities were 107% covered by financial assets, compared with 109% at 31 December 2015.

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 2016, obligations were 85% covered by financial assets, compared with 88% at the end of 2015.

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 2016, the obligation was 66% covered by financial assets, (70% at 31 December 2015).

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 2016, 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 2016, this obligation was 92% covered by financial assets, compared with 85% at 31 December 2015.

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 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 |
| France | 1,327 | 125 | 1,452 | (1,227) | | | 225 | | | | 225 |
| UK | 1,678 | 1 | 1,679 | (1,797) | | | (118) | (133) | (133) | | 15 |
| 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** |

| *In millions of euros, at 31 December 2015* | *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 | 3,011 | 17 | 3,028 | (38) | (2,912) | | 78 | (2,912) | | (2,912) | 2,990 |
| France | 1,422 | 134 | 1,556 | (1,224) | | | 332 | | | | 332 |
| UK | 1,460 | 1 | 1,461 | (1,587) | | | (126) | (131) | (131) | | 5 |
| Switzerland | 1,080 | 14 | 1,094 | (954) | | | 140 | | | | 140 |
| USA | 681 | 179 | 860 | (604) | | | 256 | (2) | (2) | | 258 |
| Italy | | 390 | 390 | | | | 390 | | | | 390 |
| Turkey | 281 | 32 | 313 | (484) | | 203 | 32 | | | | 32 |
| Others | 591 | 228 | 819 | (474) | (27) | | 318 | (32) | (5) | (27) | 350 |
| **TOTAL** | **8,526** | **995** | **9,521** | **(5,365)** | **(2,939)** | **203** | **1,420** | **(3,077)** | **(138)** | **(2,939)** | **4,497** |

*(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. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **PRESENT VALUE OF DEFINED-BENEFIT OBLIGATION AT START OF PERIOD** | **9,521** | **9,604** |
| Current service cost | 270 | 293 |
| Interest cost | 201 | 181 |
| Past service cost | (36) | (5) |
| Settlements | (65) | - |
| Actuarial (gains)/losses on change in demographic assumptions | 7 | 22 |
| Actuarial (gains)/losses on change in financial assumptions | 734 | (346) |
| Actuarial (gains)/losses on experience gaps | (86) | (1) |
| Actual employee contributions | 24 | 24 |
| Benefits paid directly by the employer | (112) | (123) |
| Benefits paid from assets/reimbursement rights | (441) | (477) |
| Exchange rate (gains)/losses on obligation | (229) | 241 |
| (Gains)/losses on obligation related to changes in the consolidation scope | 43 | 108 |
| **PRESENT VALUE OF DEFINED-BENEFIT OBLIGATION AT END OF PERIOD** | **9,831** | **9,521** |



## ➤ CHANGE IN THE FAIR VALUE OF PLAN ASSETS AND REIMBURSEMENT RIGHTS

| | Plan assets | | Reimbursement rights | |
|---|---|---|---|---|
| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
| **FAIR VALUE OF ASSETS AT START OF PERIOD** | **5,365** | **5,094** | **2,939** | **2,802** |
| Expected return on assets | 137 | 126 | 55 | 40 |
| Settlements | (57) | | | |
| Actuarial gains/(losses) on assets | 392 | 99 | 18 | 184 |
| Actual employee contributions | 14 | 14 | 10 | 10 |
| Employer contributions | 206 | 112 | 94 | 114 |
| Benefits paid from assets | (234) | (264) | (207) | (213) |
| Exchange rate gains/(losses) on assets | (287) | 179 | | |
| Gains/(losses) on assets related to changes in the consolidation scope | 37 | 4 | 17 | 3 |
| Others | (1) | 1 | | (1) |
| **FAIR VALUE OF ASSETS AT END OF PERIOD** | **5,572** | **5,365** | **2,926** | **2,939** |

### COMPONENTS OF THE COST OF DEFINED-BENEFIT PLANS

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Service costs** | **226** | **288** |
| Current service cost | 270 | 293 |
| Past service cost | (36) | (5) |
| Settlements | (8) | - |
| **Net financial expense** | **27** | **34** |
| Interest cost | 201 | 181 |
| Interest income on plan asset | (119) | (106) |
| Interest income on reimbursement rights | (55) | (41) |
| **TOTAL RECOGNISED IN SALARY AND EMPLOYEE BENEFIT EXPENSE** | **253** | **322** |

### OTHER ITEMS RECOGNISED DIRECTLY IN EQUITY

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Other items recognised directly in equity** | **(291)** | **639** |
| Actuarial (losses)/gains on plan assets or reimbursement rights | 410 | 283 |
| Actuarial (losses)/gains of demographic assumptions on the present value of obligations | (7) | (22) |
| Actuarial (losses)/gains of financial assumptions on the present value of obligations | (734) | 346 |
| Experience (losses)/gains on obligations | 86 | 1 |
| Variation of the effect of assets limitation | (46) | 31 |

## 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 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Discount rate | Compensation increase rate(1) | Discount rate | Compensation increase rate(1) |
| Belgium | 0.60%-1.40% | 2.60%-3.20% | 0.40%-2.00% | 2.40%-3.30% |
| France | 0.10%-1.30% | 2.00% | 0.60%-2.00% | 2.30%-3.30% |
| UK | 1.50%-2.80% | 2.00%-4.70% | 2.50%-3.70% | 2.00%-4.70% |
| Switzerland | 0.00%-0.60% | 1.40% | 0.40%-0.80% | 1.90% |
| USA | 1.95%-4.15% | 4.00% | 4.40% | 4.00% |
| Italy | 0.80%-1.80% | 1.40%-1.70% | 0.80%-2.00% | 1.80%-2.90% |
| Turkey | 10.00%-10.15% | 6.00% | 10.30% | 6.00% |

*(1) Including price increases (inflation).*

Observed weighted average rates are as follows:

- In the Eurozone: 1.04% at 31 December 2016 (1.48% at 31 December 2015);
- In the United Kingdom: 2.61% at 31 December 2016 (3.70% at 31 December 2015);
- In Switzerland: 0.60% at 31 December 2016 (0.80% at 31 December 2015).

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 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Discount rate -100 bp | Discount rate +100 bp | Discount rate -100 bp | Discount rate +100 bp |
| Belgium | 337 | (288) | 277 | (236) |
| France | 167 | (139) | 156 | (131) |
| UK | 409 | (299) | 389 | (292) |
| Switzerland | 114 | (155) | 102 | (140) |
| USA | 111 | (95) | 106 | (91) |
| Italy | 35 | (31) | 30 | (30) |
| Turkey | 16 | (13) | 17 | (14) |

## ACTUAL RATE OF RETURN ON PLAN ASSETS AND REIMBURSEMENT RIGHTS OVER THE PERIOD

| *In %* | Year to 31 Dec. 2016 | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|
| | 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 | 0.50%-5.00% | 2.60% | 1.10%-6.00% | 3.72% |
| France | 3.20% | 3.20% | 3.50% | 3.50% |
| UK | 3.10%-28.40% | 23.30% | 2.30%-6.90% | 5.82% |
| Switzerland | 1.80%-2.40% | 1.82% | 1.70%-5.10% | 1.84% |
| USA | 1.70%-6.00% | 3.57% | 1.11%-2.00% | 1.48% |
| Turkey | 10.00% | 10.00% | 10.80% | 10.80% |

## BREAKDOWN OF PLAN ASSETS

| *In %* | 31 December 2016 | | | | | | 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Governmental bonds | Non-Governmental bonds | Real-estate | Deposit account | Others | Shares | Governmental bonds | Non-Governmental bonds | Real-estate | Deposit account | Others |
| Belgium | 6% | 51% | 22% | 2% | 0% | 19% | 6% | 56% | 18% | 2% | 0% | 18% |
| France(1) | 6% | 67% | 19% | 8% | 0% | 0% | 7% | 66% | 18% | 9% | 0% | 0% |
| UK | 30% | 39% | 8% | 0% | 2% | 21% | 29% | 54% | 9% | 0% | 2% | 6% |
| Switzerland | 31% | 37% | 0% | 17% | 2% | 13% | 38% | 32% | 0% | 14% | 3% | 13% |
| USA | 24% | 36% | 13% | 0% | 2% | 25% | 47% | 35% | 13% | 2% | 1% | 2% |
| Turkey | 0% | 0% | 0% | 5% | 94% | 1% | 0% | 0% | 0% | 5% | 93% | 2% |
| Others | 6% | 12% | 9% | 1% | 16% | 56% | 7% | 13% | 8% | 1% | 19% | 52% |
| **GROUP** | **15%** | **43%** | **13%** | **4%** | **7%** | **18%** | **17%** | **47%** | **12%** | **4%** | **7%** | **13%** |

(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 155 million at 31 December 2016, compared with EUR 150 million at 31 December 2015, i.e. an increase of EUR 5 million in 2016, of which EUR 12 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 533 million at 31 December 2016 (EUR 546 million at 31 December 2015).

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 CRD 4 European Directive.

The net obligation related to deferred compensation plans and loyalty schemes amounts to EUR 635 million at 31 December 2016 (EUR 532 million at 31 December 2015).

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Net provisions for other long-term benefits** | **1,168** | **1,078** |
| Asset recognised in the balance sheet under the other long-term benefits | (99) | (104) |
| Obligation recognised in the balance sheet under the other long-term benefits | 1,267 | 1,182 |

## 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 September 2015 to December 2018).

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Provision for voluntary departure, early retirement plans, and headcount adaptation plans | 495 | 342 |

## 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 CRD 4 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. 2016 Performance share plans | Year to 31 Dec. 2016 Variable deferred compensation plans | Year to 31 Dec. 2016 Total expense | Year to 31 Dec. 2015 Total expense |
|---|---|---|---|---|
| Prior deferred compensation plans | | 139 | 139 | 58 |
| Deferred compensation plans for the year | | 327 | 327 | 261 |
| Global Share-Based Incentive Plan | 1 | | 1 | 7 |
| **TOTAL** | **1** | **466** | **467** | **326** |

## 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 to employees 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 2016:

### ➤ 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 | 580,510 | 0.3 |
| BNP Paribas SA[2] | 05/03/2010 | 1,820 | 2,423,700 | 05/03/2014 | 02/03/2018 | 51.20 | 1,653,851 | 1.2 |
| BNP Paribas SA[2] | 04/03/2011 | 1,915 | 2,296,820 | 04/03/2015 | 04/03/2019 | 56.45 | 1,942,305 | 2.2 |
| **TOTAL OPTIONS OUTSTANDING AT END OF PERIOD** | | | | | | | **4,176,666** | |

*(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 212,417 options under the 4 March 2011 plan, outstanding at the year-end.*

### ➤ PERFORMANCE SHARE PLANS

| Characteristics of the plan | | | | | | Number of shares outstanding at end of period |
|---|---|---|---|---|---|---|
| Originating company | Date of grant | Number of grantees | Number of shares granted | Vesting date of shares granted[1] | Expiry date of holding period for shares granted | |
| BNP Paribas SA[2] | 2009-2011 | | | | | 593 |
| BNP Paribas SA | 06/03/2012 | 2,610 | 1,072,480 | 09/03/2015 | 09/03/2017 | 420 |
| BNP Paribas SA | 06/03/2012 | 2,755 | 849,455 | 07/03/2016 | 07/03/2016 | 740 |
| **TOTAL SHARES OUTSTANDING AT END OF PERIOD** | | | | | | **1,753** |

*(1) The vesting date for certain shares has been deferred due to the beneficiaries' absence on the date initially scheduled.*

*(2) The number of shares has been adjusted for the pre-emptive subscription rights allotted on 30 September 2009.*

## Movements over the past two years

### STOCK SUBSCRIPTION OPTION PLANS

| | Year to 31 Dec. 2016 | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price (in euros) | Number of options | Weighted average exercise price (in euros) |
| **OPTIONS OUTSTANDING AT 1 JANUARY** | **8,201,959** | **56.09** | **12,416,877** | **62.16** |
| Options exercised during the period | (682,500) | 41.75 | (427,478) | 42.98 |
| Options expired during the period | (3,342,793) | | (3,787,440) | |
| **OPTIONS OUTSTANDING AT 31 DECEMBER** | **4,176,666** | **51.98** | **8,201,959** | **56.09** |
| **OPTIONS EXERCISABLE AT 31 DECEMBER** | **4,176,666** | **51.98** | **8,201,959** | **56.09** |

The average quoted stock market price in 2016 was EUR 54.07 (EUR 56.61 in 2015).

### PERFORMANCE SHARE PLANS

| | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| | Number of shares | Number of shares |
| **SHARES OUTSTANDING AT 1 JANUARY** | **756,413** | **2,179,141** |
| Shares vested during the period | (731,055) | (1,340,114) |
| Shares expired during the period | (23,605) | (82,614) |
| **SHARES OUTSTANDING AT 31 DECEMBER** | **1,753** | **756,413** |

# Note 7. ADDITIONAL INFORMATION

## 7.a CHANGES IN SHARE CAPITAL AND EARNINGS PER SHARE

At 31 December 2016, the share capital of BNP Paribas SA amounted to EUR 2,494,005,306, and was divided into 1,247,002,653 shares. The nominal value of each share is EUR 2. At 31 December 2015, the share capital amounted to EUR 2,492,770,306 and was divided into 1,246,385,153 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 2014** | **2,971,853** | **140** | **(3,243,468)** | **(160)** | **(271,615)** | **(20)** |
| Acquisitions | 895,726 | 47 | | | 895,726 | 47 |
| Disposals | (903,592) | (47) | | | (903,592) | (47) |
| Shares delivered to employees | (1,340,114) | (59) | | | (1,340,114) | (59) |
| Other movements | | | 3,081,539 | 151 | 3,081,539 | 151 |
| **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** |

*(1) Transactions realised in the framework of an activity of trading and arbitrage transactions on equity indices.*

At 31 December 2016, the BNP Paribas Group was a holder of 900,036 BNP Paribas shares representing an amount of EUR 48 million, which was recognised as a decrease in equity.

In 2016, BNP Paribas SA has decreased its capital by 65,000 shares, which were purchased on the market in 2015 (excluding the liquidity contract). These shares have been cancelled according to the decision made the Board of Directors on 16 December 2016.

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 1,365,397 shares in 2016 at an average share price of EUR 44.56, and sold 1,407,897 shares at an average share price of EUR 44.89. At 31 December 2016, 57,500 shares worth EUR 3.2 million were held by BNP Paribas SA under this agreement.

From 1 January 2016 to 31 December 2016, 731,055 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 2016** | | | **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 17 June 2015, BNP Paribas SA has issued Undated Super Subordinated Notes for an amount of EUR 750 million, which pay a 6.125% fixed rate coupon. The notes could be redeemed at the end of a 7-year period. If the notes are not redeemed in 2022, a 5-year euro swap rate coupon will be paid half-yearly. This issue is eligible to Additional Tier 1 capital.

On 29 June 2015, BNP Paribas SA redeemed the June 2005 issue for a total amount of USD 1,070 million at the first call date. These notes paid a 5.186% fixed-rate coupon.

On 19 August 2015, BNP Paribas SA has issued Undated Super Subordinated Notes for an amount of USD 1,500 million which pay a 7.375% fixed-rate coupon. The notes could be redeemed at the end of a 10-year period. If the notes are not redeemed in 2025, a 5-year dollar swap rate coupon will be paid half-yearly. This issue is eligible to Additional Tier 1 capital.

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 note 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 | 6.25% | 6 years | 6.250% |
| July 2006 | EUR | 150 | annual | 5.45% | 20 years | 3-month Euribor +1.920% |
| April 2007 | EUR | 638 | annual | 5.019% | 10 years | 3-month Euribor +1.720% |
| June 2007 | USD | 600 | quarterly | 6.5% | 5 years | 6.5% |
| June 2007 | USD | 1,100 | semi-annual | 7.195% | 30 years | USD 3-month Libor +1.290% |
| October 2007 | GBP | 200 | annual | 7.436% | 10 years | GBP 3-month Libor +1.850% |
| June 2008 | EUR | 500 | annual | 7.781% | 10 years | 3-month Euribor +3.750% |
| September 2008 | EUR | 100 | annual | 7.57% | 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% |
| **TOTAL EURO-EQUIVALENT HISTORICAL VALUE AT 31 DECEMBER 2016** | | **8,430**(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 2016, the BNP Paribas Group held EUR 48 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. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Net profit used to calculate basic and diluted earnings per ordinary share** *(in millions of euros)*(1) | 7,470 | 6,385 |
| **Weighted average number of ordinary shares outstanding during the year** | 1,244,469,997 | 1,242,989,279 |
| Effect of potentially dilutive ordinary shares | 147,762 | 1,195,923 |
| Stock subscription option plan(2) | 146,009 | 458,927 |
| Performance share attribution plan(2) | 1,753 | 736,996 |
| **Weighted average number of ordinary shares used to calculate diluted earnings per share** | 1,244,617,759 | 1,244,185,202 |
| **Basic earnings per share** *(in euros)* | 6.00 | 5.14 |
| **Diluted earnings per share** *(in euros)* | 6.00 | 5.13 |

*(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 2016 out of the 2015 net income amounted to EUR 2.31, compared with EUR 1.50 paid in 2015 out of the 2014 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 should result 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 will be 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 the financial communication, as, inter alia, the disclosure regarding 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"). 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 is cooperating with the investigations and inquiries and responding to the information requests. In November 2014 the Financial Conduct Authority in the United Kingdom, in December 2014 the Hong Kong Monetary Authority and in October 2015, the Financial Services Agency in Japan informed the Bank that they had discontinued their investigation as to BNP Paribas. Moreover the Bank is conducting its own internal review of foreign exchange trading. While this review is ongoing, the Bank is not in a position to foresee the outcome of these investigations and proceedings nor their potential impact.

## 7.c BUSINESS COMBINATIONS

### Operations realised in 2016

#### Sharekhan group

BNP Paribas has purchased on 23 November 2016, 100% of Sharekhan group. This acquisition leads the BNP Paribas Group to consolidate Sharekhan by global integration.

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 amounts to EUR 93 million.

### Operations realised in 2015

#### General Electric European Fleet Services business

Arval, the BNP Paribas subsidiary specialised in corporate vehicle leasing, purchased on 2 November 2015 the European Fleet Services business of General Electric Capital.

This acquisition strengthens significantly the strategic positioning of Arval in Europe, and leads to a EUR 2.7 billion increase of the Group's balance sheet. In particular, "Property, plant, equipment and intangible assets" rose by EUR 2.3 billion and debts "due to the credit institutions" by EUR 1.4 billion.

The goodwill on this operation amounts to EUR 210 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.

| | 31 December 2016 | Year to 31 Dec. 2016 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | 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** |

| | 31 December 2015 | Year to 31 Dec. 2015 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | 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 | 67,485 | 1,534 | 463 | 453 | 34% | 164 | 158 | 69 |
| Other minority interests | | | | | | 186 | 182 | 62 |
| **TOTAL** | | | | | | **350** | **340** | **131** |

There are no particular contractual restrictions on the assets of the 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 2016, nor during the year ended 31 December 2015.

### ➤ ACQUISITIONS OF ADDITIONAL INTERESTS AND PARTIAL SALES OF INTERESTS LEADING TO CHANGES IN MINORITY INTERESTS IN THE EQUITY OF SUBSIDIARIES

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *In millions of euros* | Attributable to shareholders | Minority interests | Attributable to shareholders | Minority interests |
| **UkrSibbank Public Joint Stock** | | | | |
| Sale of 40% of UkrSibbank's capital followed by a capital increase subscribed by all shareholders. | (102) | 34 | | |
| **First Hawaiian Inc.** | | | | |
| 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 | | |
| Others | (17) | | (3) | (4) |
| **TOTAL** | **(32)** | **494** | **(3)** | **(4)** |

### ➤ 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 615 million at 31 December 2016, compared with EUR 707 million at 31 December 2015.

## 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 2015 and 2016, 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 20 billion as at 31 December 2016, compared to EUR 23 billion as at 31 December 2015.

### 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 54,291 million as at 31 December 2016 (compared with EUR 50,859 million as at 31 December 2015), 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 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** |

| *In millions of euros, at 31 December 2015* | Securitisation | Funds | Asset Financing | Others | Total |
|---|---|---|---|---|---|
| **INTERESTS ON THE GROUP BALANCE SHEET** | | | | | |
| ASSETS | | | | | |
| Trading book | 447 | 681 | 190 | 1,843 | 3,161 |
| Instruments designated as at fair value through profit or loss(1) | | 25,587 | 18 | 68 | 25,673 |
| Available-for-sale financial assets | | 2,990 | 145 | 388 | 3,523 |
| Loans and receivables | 10,974 | 86 | 13,431 | 166 | 24,657 |
| Other assets | 9 | 441 | 8 | 3 | 461 |
| **TOTAL ASSETS** | **11,430** | **29,785** | **13,792** | **2,468** | **57,475** |
| LIABILITIES | | | | | |
| Trading book | 1,107 | 633 | 13 | 2,910 | 4,663 |
| Instruments designated as at fair value through profit or loss | | 26 | | 18 | 44 |
| Financial liabilities carried at amortised cost | 769 | 18,782 | 667 | 1,868 | 22,086 |
| Other liabilities | 24 | 327 | 36 | 20 | 407 |
| **TOTAL LIABILITIES** | **1,900** | **19,768** | **716** | **4,816** | **27,200** |
| **MAXIMUM EXPOSURE TO LOSS** | **15,427** | **30,157** | **16,016** | **2,899** | **64,499** |
| **SIZE OF STRUCTURED ENTITIES(2)** | **90,737** | **241,915** | **48,478** | **11,083** | **392,213** |

(1) *Of which EUR 14,185 million representative of unit-linked insurance contracts as at 31 December 2016, invested in funds managed by the BNP Paribas Group (EUR 16,981 million as at 31 December 2015).*
(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 the 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 32 billion as at 31 December 2016 (EUR 30 billion as at 31 December 2015). 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 11 billion as at 31 December 2016 (unchanged from 31 December 2015);
- **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. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Gross remuneration, including Directors' fees and benefits in kind** | | |
| payable for the year | €6,350,378 | €6,484,552 |
| paid during the year | €6,227,427 | €4,761,620 |
| **Post-employment benefits** | | |
| Retirement bonuses: present value of the benefit obligation (payroll taxes excluded) | €243,574 | €210,272 |
| Defined contribution pension plan : contributions paid by BNP Paribas during the year | €1,274 | €1,395 |
| **Welfare benefits:** premiums paid by BNP Paribas during the year | €8,914 | €10,284 |
| **Share-based payments** | | |
| Stock subscription options | | |
| value of stock options granted during the year | Nil | Nil |
| number of options held at 31 December | 107,854 | 321,193 |
| 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 (*) | €1,272,417 | €557,760 |

(*) *Valuation according to the method described in note 1.i.*

As at 31 December 2016, 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 2016 to all members of the Board of Directors amount to EUR 1,300,000, compared with EUR 974,999 paid in 2015. The amount paid in 2016 to members other than corporate officers was EUR 1,183,190, compared with EUR 880,257 in 2015.

➤ **REMUNERATION AND BENEFITS AWARDED TO DIRECTORS REPRESENTING THE EMPLOYEES**

| *In euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Gross remuneration paid during the year | 77,471 | 76,660 |
| Directors' fees (paid to the trade unions) | 176,588 | 117,557 |
| Premiums paid by BNP Paribas during the year into schemes related to Garantie Vie Professionnelle Accidents benefits and healthcare expense coverage | 1,512 | 1,366 |
| Contributions paid by BNP Paribas during the year into the defined-contribution plan | 670 | 672 |

### Loans, advances and guarantees granted to the Group's corporate officers

At 31 December 2016, the total outstanding loans granted directly or indirectly to the Group's corporate officers and their spouses amounted to EUR 1,197,628 (EUR 1,045,637 at 31 December 2015). 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.

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➤ **OUTSTANDING BALANCES OF RELATED-PARTY TRANSACTIONS:**

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *In millions of euros* | Joint ventures | Associates[1] | Joint ventures | Associates[1] |
| ASSETS | | | | |
| **Loans, advances and securities** | | | | |
| On demand accounts | 1 | 51 | | 101 |
| Loans | 4,302 | 3,098 | 4,156 | 3,585 |
| Securities | 991 | | 1,102 | 2 |
| **Securities held in the non-trading portfolio** | **14** | **-** | **19** | **56** |
| **Other assets** | **3** | **235** | **10** | **258** |
| **TOTAL** | **5,311** | **3,384** | **5,287** | **4,002** |
| LIABILITIES | | | | |
| **Deposits** | | | | |
| On demand accounts | 94 | 774 | 225 | 403 |
| Other borrowings | 195 | 2,431 | 45 | 2,575 |
| **Other liabilities** | **23** | **81** | **19** | **78** |
| **TOTAL** | **312** | **3,286** | **289** | **3,056** |
| FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS | | | | |
| **Financing commitments given** | **3,607** | **1,153** | **2,781** | **2,162** |
| **Guarantee commitments given** | **1** | **39** | **2** | **77** |
| **TOTAL** | **3,608** | **1,192** | **2,783** | **2,239** |

*(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. 2016 | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|
| | Joint ventures | Associates[1] | Joint ventures | Associates[1] |
| Interest income | 28 | 43 | 38 | 74 |
| Interest expense | (2) | (16) | | (24) |
| Commission income | 4 | 459 | 4 | 509 |
| Commission expense | (8) | (44) | (4) | (45) |
| Services provided | 1 | 9 | 1 | 22 |
| Services received | | (6) | | (26) |
| Lease income | | 12 | | 7 |
| **TOTAL** | **23** | **457** | **39** | **517** |

*(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 2016, the value of plan assets managed by Group companies or by companies over which the Group exercises significant influence was EUR 3,883 million (EUR 3,884 million as at 31 December 2015). Amounts received by Group companies in the year to 31 December 2016 totalled EUR 4.3 million, and were mainly composed of management and custody fees (unchanged compared with 2015).

## 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 2016. 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 2016* | Estimated fair value | | | | Carrying value |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | |
| **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.*

| *In millions of euros, at 31 December 2015* | Estimated fair value | | | | Carrying value |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | |
| **FINANCIAL ASSETS** | | | | | |
| Loans and receivables due from credit institutions *(note 4.f)* | | 43,337 | 45 | 43,382 | 43,427 |
| Loans and receivables due from customers *(note 4.g)*(1) | 694 | 50,272 | 615,589 | 666,555 | 655,898 |
| Held-to-maturity financial assets *(note 4.j)* | 8,866 | 152 | | 9,018 | 7,757 |
| **FINANCIAL LIABILITIES** | | | | | |
| Due to credit institutions *(note 4.f)* | | 84,386 | | 84,386 | 84,146 |
| Due to customers *(note 4.g)* | | 701,207 | | 701,207 | 700,309 |
| Debt securities *(note 4.i)* | 50,334 | 110,580 | | 160,914 | 159,447 |
| Subordinated debt *(note 4.i)* | 8,281 | 8,061 | | 16,342 | 16,544 |

*(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 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| 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 (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 (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 | | | | | | | | S1 |
| 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 (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 (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** | | | | | | | | | |
| Banque de Wallis et Futuna | France | Full (1) | 51.0% | 51.0% | | Full (1) | 51.0% | 51.0% | |
| BNPP Antilles Guyane (Ex- BNPP Martinique) | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Developpement | 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 AS | Denmark | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | E1 |
| BNPP Factor Portugal | Portugal | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Guadeloupe | France | | | | S4 | Full (1) | 100% | 100% | |
| BNPP Guyane | France | | | | S4 | Full (1) | 100% | 100% | |
| BNPP Nouvelle Caledonie | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Réunion | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| Portzamparc Société de Bourse | France | Full (1) | 51.0% | 51.0% | | Full (1) | 51.0% | 51.0% | |
| Société Alsacienne de Développement et d'Expansion | France | | | | S4 | Full | 100% | 65.9% | |
| **Retail Banking - Belgium** | | | | | | | | | |
| Alpha Card SCRL | Belgium | Equity | 50.0% | 50.0% | | Equity | 50.0% | 50.0% | |
| Belgian Mobile Wallet | Belgium | | | | S3 | Equity | 20.0% | 20.0% | V3 |
| BNPP Commercial Finance Ltd | UK | Full | 100% | 99.9% | | Full | 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 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 | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis (Cayman Islands branch) | Cayman Islands | | | | | | | | S1 |
| 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 | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis (Germany branch) | Germany | | | | S1 | Full | 100% | 99.9% | |
| BNPP Fortis (Netherlands branch) | Netherlands | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis (Norway branch) | Norway | Full | 100% | 99.9% | | 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 | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| BNPP Fortis (UK branch) | UK | | | | | | | | S1 |
| 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% | |
| Bpost banque | Belgium | Equity (3) | 50.0% | 50.0% | | Equity (3) | 50.0% | 50.0% | |
| Demetris NV | Belgium | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | |
| Immobilière Sauvenière SA | Belgium | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | |
| ***Structured Entities*** | | | | | | | | | |
| BASS Master Issuer NV | Belgium | Full | - | - | | Full | - | - | |
| Esmée 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 | Full | 100% | 65.9% | |
| 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 | Full | - | - | |
| **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% | V1 | Full | 51.0% | 51.0% | |
| Business Partners Italia SCPA | Italy | Full | 99.9% | 99.8% | V3 | Full | 100% | 99.9% | V3 |

*Changes in the scope of consolidation*
***New entries (E) in the scope of consolidation***
*E1 Passing qualifying thresholds as defined by the Group (see note 1.b)*
*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 as defined by the Group (see note 1.b)*
*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 for prudential purposes.*
*(3) Jointly controlled entities under proportional consolidation for prudential purposes.*

| Name | Country | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| International Factors Italia SPA - Ifitalia | Italy | Full | 99.7% | 99.7% | | Full | 99.7% | 99.7% | |
| Servizio Italia SPA | Italy | 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 | - | - | E2 | | | | |
| Vela ABS SRL | Italy | Full | - | - | | Full | - | - | |
| Vela Consumer SRL | Italy | Full | - | - | | Full | - | - | E2 |
| Vela Home SRL | Italy | Full | - | - | | Full | - | - | |
| Vela Mortgages SRL | Italy | Full | - | - | | Full | - | - | |
| Vela OBG SRL | Italy | Full | - | - | | Full | - | - | |
| Vela Public Sector SRL | Italy | | | | S3 | Full | - | - | |
| Vela RMBS SRL | Italy | Full | - | - | | Full | - | - | |
| **Arval** | | | | | | | | | |
| Artel | France | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | E1 |
| Arval AB | Sweden | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | E2 |
| Arval AS | Denmark | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Austria GmbH | Austria | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Belgium SA | Belgium | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval Benelux BV | Netherlands | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval Brasil Ltda | Brazil | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval BV | Netherlands | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval CZ SRO | Czech Republic | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval Deutschland GmbH | Germany | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval ECL | France | | | | | | | | S4 |
| Arval Fleet Services (Ex- GE Capital Fleet Services Fr) | France | Full | 100% | 99.9% | V3 | Full | 100% | 100% | E3 |
| Arval Fleet Services BV (Ex- GE Fleet Services BV) | Netherlands | Full | 100% | 99.9% | V3 | Full | 100% | 100% | E3 |
| Arval Hellas Car Rental SA | Greece | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval India Private Ltd | India | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Italy Fleet Services SRL | Italy | Full | 100% | 99.9% | V3 | Full | 100% | 100% | E3 |
| Arval Jiutong (Ex- Arval China Co Ltd) | China | Equity | 40.0% | 40.0% | V3 | Equity | 40.0% | 40.0% | V3 |
| Arval Luxembourg SA | Luxembourg | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Magyarorszag KFT | Hungary | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Maroc SA | Morocco | Equity* | 100% | 89.0% | V3 | Equity* | 100% | 88.9% | V3 |
| Arval OOO | Russia | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval Oy | Finland | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Schweiz AG | Switzerland | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Service Lease | France | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval Service Lease Aluger Operational Automoveis SA | Portugal | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Service Lease Italia SPA | Italy | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval Service Lease Polska SP ZOO | Poland | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval Service Lease Romania SRL | Romania | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Service Lease SA | Spain | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval Slovakia | Slovakia | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval Trading | France | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| Arval UK Group Ltd | UK | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Arval UK Leasing Services Ltd (Ex- GE Commercial Finance Fleet Services Ltd) | UK | Full | 100% | 99.9% | V3 | Full | 100% | 100% | E3 |
| Arval UK Ltd | UK | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Autovalley | France | | | | | | | | S4 |
| BNPP Fleet Holdings Ltd | UK | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| Cofiparc | France | Full | 100% | 99.9% | V3 | Full | 100% | 100% | |
| GE Auto Service Leasing GmbH | Germany | | | | S4 | Full | 100% | 100% | E3 |
| GE Auto Service Leasing GmbH | Austria | | | | S4 | Equity* | 100% | 100% | E3 |
| GE Capital Largo Plazo SL | Spain | | | | S4 | Full | 100% | 100% | E3 |
| Greenval Insurance Company Ltd | Ireland | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | |
| Itelcar - Automoveis de Aluguer Unipessoal Lda | Portugal | | | | S4 | Equity* | 100% | 100% | E3 |
| Locadif | Belgium | Full | 100% | 99.9% | V3 | Full | 100% | 100% | E3 |
| Public Location Longue Durée | France | Equity* | 100% | 99.9% | V3 | Equity* | 100% | 100% | |
| TEB Arval Arac Filo Kiralama AS | Turkey | Full | 100% | 75.0% | V3 | Full | 100% | 75.0% | |
| **Leasing Solutions** | | | | | | | | | |
| Ace Equipment Leasing | Belgium | | | | S3 | Full | 100% | 83.0% | |
| Albury Asset Rentals Ltd | UK | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| All In One Vermietung GmbH | Austria | | | | S3 | Equity* | 100% | 83.0% | |
| All In One Vermietungsgesellschaft für Telekommunicationsanlagen mbH | Germany | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| Aprolis Finance | France | Full | 51.0% | 42.3% | | Full | 51.0% | 42.3% | |
| Aprolis Finance (Romania branch) | Romania | | | | | | | | S1 |
| Arius | France | Full | 100% | 83.0% | | Full | 100% | 83.0% | |

| Name | Country | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| Artegy | France | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Finansal Kiralama AS | Turkey | Full | 100% | 82.5% | | Full | 100% | 82.5% | V4 |
| 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 (Rentals) Ltd | UK | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Lease Group (Spain branch) | Spain | Full (1) | 100% | 83.0% | | Full (1) | 100% | 83.0% | |
| BNPP Lease Group IFN SA .0 | Romania | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| BNPP Lease Group KFT | Hungary | Equity* | 100% | 83.0% | | 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 | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| BNPP Lease Group PLC | UK | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Lease Group Polska SP ZOO | Poland | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| BNPP Lease Group SA Belgium | Belgium | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Leasing Solutions | Luxembourg | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| BNPP Leasing Solutions Immobilier Suisse | Switzerland | | | | | | | | S4 |
| 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 (Ex-Artegy Ltd) | UK | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| Claas Financial Services | France | Full (1) | 60.1% | 49.9% | | Full (1) | 60.1% | 49.9% | |
| Claas Financial Services (Germany branch) | Germany | Full (1) | 100% | 49.9% | | Full (1) | 100% | 49.9% | |
| Claas Financial Services (Italy branch) | Italy | Full (1) | 100% | 49.9% | | Full (1) | 100% | 49.9% | |
| Claas Financial Services (Poland branch) | Poland | Full (1) | 100% | 49.9% | | Full (1) | 100% | 49.9% | |
| Claas Financial Services (Spain branch) | Spain | Full (1) | 100% | 49.9% | | Full (1) | 100% | 49.9% | |
| Claas Financial Services Inc | USA | | | | S2 | Full | 100% | 49.9% | |
| 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 | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| Fortis Lease Iberia SA | Spain | Equity* | 100% | 86.6% | | Equity* | 100% | 86.6% | |
| Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag | Hungary | | | | S1 | Equity* | 100% | 83.0% | |
| Fortis Lease Portugal | Portugal | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| Fortis Lease Romania IFN SA | Romania | | | | | | | | S4 |
| Fortis Lease UK Ltd | UK | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| Fortis Lease UK Retail Ltd | UK | | | | S3 | Equity* | 100% | 83.0% | |
| Fortis Vastgoedlease BV | Netherlands | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | |
| HFGL Ltd | UK | | | | S1 | Full | 100% | 83.0% | |
| Humberclyde Commercial Investments Ltd | UK | Full | 100% | 83.0% | | Full | 100% | 83.0% | |
| Humberclyde Commercial Investments N°1 Ltd | UK | | | | S1 | Full | 100% | 83.0% | |
| 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% | |
| Locatrice Italiana SPA | Italy | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | V3 |
| 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% | |
| Natiocrédibail | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| Natiocrédimurs | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| Natioénergie 2 | France | | | | S3 | Equity* | 100% | 100% | |

4

| | | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| RD Portofoliu SRL | Romania | Equity* | 100% | 83.0% | | Equity* | 100% | 83.0% | E2 |
| 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% | |
| SREI Equipement Finance Ltd | India | | | | S2 | Equity (3) | 50.0% | 41.5% | |
| ***Structured Entities*** | | | | | | | | | |
| BNPP B Institutional II Short Term | Belgium | Full | - | - | | Full | - | - | E1 |
| Vela Lease SRL | Italy | | | | | | | | S3 |
| **Personal Investors** | | | | | | | | | |
| DAB Bank AG | Germany | | | | | | | | S4 |
| Geojit BNPP Financial Services Ltd | India | | | | S2 | Equity | 34.4% | 34.4% | |
| Geojit Technologies Private Ltd | India | Equity | 35.0% | 35.0% | | Equity* | 57.4% | 57.4% | D1 |
| Hellobank BNPP Austria AG | Austria | Full | 100% | 100% | | Full | 100% | 100% | V4 |
| Sharekhan Financial Services Private Ltd | India | Equity* | 100% | 100% | E3 | | | | |
| Sharekhan Ltd | India | Full | 100% | 100% | E3 | | | | |
| ***Structured Entities*** | | | | | | | | | |
| DAB Bank AG (Ex- BNPP Beteiligungsholding AG) | Germany | | | | | | | | S4 |
| Human Value Developers Private Ltd | India | Full | - | - | 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 | Spain | Full | 100% | 100% | | Full | 100% | 100% | |
| Banco Cetelem SA | Brazil | Full | 100% | 100% | | Full | 100% | 100% | |
| Banco de Servicios Financieros SA | Argentina | Equity | 40.0% | 40.0% | | Equity | 40.0% | 40.0% | |
| Banque Solféa | France | Equity (3) | 45.0% | 45.0% | V4 | Equity (3) | 44.9% | 44.9% | |
| BGN Mercantil E Servicos Ltda | Brazil | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BNPP Personal Finance | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Personal Finance (Austria branch) | Austria | Full | 100% | 100% | E2 | | | | |
| BNPP Personal Finance (Czech Republic branch) | Czech Republic | Full | 100% | 100% | | Full | 100% | 100% | E2 |
| BNPP Personal Finance (Slovakia branch) | Slovakia | 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% | |
| 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% | V1 |
| Cetelem Algérie | Algeria | | | | | | | | S3 |
| Cetelem America Ltda | Brazil | Full | 100% | 100% | | Full | 100% | 100% | |
| Cetelem Bank LLC | Russia | Equity | 20.8% | 20.8% | | Equity | 20.8% | 20.8% | V3 |
| Cetelem CR AS | Czech Republic | | | | | | | | S4 |
| Cetelem IFN | Romania | Full | 100% | 100% | | Full | 100% | 100% | |
| Cetelem Serviços Ltda | Brazil | Equity* | 100% | 100% | D1 | Full | 100% | 100% | |
| Cetelem Slovensko AS | Slovakia | | | | S4 | Full | 100% | 100% | |
| CMV Médiforce | 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 | Full | 50.1% | 50.1% | | Full | 50.1% | 50.1% | |
| Communication Marketing Services | France | | | | | | | | S4 |
| Compagnie de Gestion et de Prêts | France | | | | | | | | S4 |
| Creation Consumer Finance Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| Creation Financial Services Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| Creation Marketing Services Ltd | UK | | | | | | | | S1 |
| 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 | Bulgaria | Full | 100% | 100% | | Full | 100% | 100% | |
| Domofinance | France | Full (1) | 55.0% | 55.0% | | Full (1) | 55.0% | 55.0% | |
| Effico | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Effico Iberia SA | Spain | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| EkspresBank | Denmark | Full | 100% | 100% | | Full | 100% | 100% | |
| EkspresBank (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% | |
| Eurocredito EFC SA | Spain | | | | | | | | S4 |
| Facet | France | | | | | | | | S4 |
| Fidecom | France | Full | 82.4% | 82.4% | | Full | 82.4% | 82.4% | |
| Fidem | France | | | | | | | | S4 |
| Fimestic Expansion SA | Spain | | | | S4 | Full | 100% | 100% | |
| Findomestic Banca SPA | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| Findomestic Banka AD | Serbia | Equity* | 100% | 100% | D1 | Full | 100% | 100% | |
| GCC Consumo Establecimiento Financiero de Credito SA | Spain | Equity* | 51.0% | 51.0% | E1 | | | | |
| Gesellschaft für Capital & Vermögensverwaltung GmbH | Germany | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | |
| Gestion et Services Groupe Cofinoga GIE | France | | | | | | | | S4 |
| Inkasso Kodat GmbH & Co KG | Germany | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | |
| LaSer Cofinoga | France | | | | | | | | S4 |
| LaSer Loyalty | France | | | | | | | | S4 |
| LaSer SA | France | | | | | | | | S4 |
| 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% | V1 | Full (1) | 51.0% | 51.0% | |
| Oney Magyarorszag ZRT | Hungary | Equity | 40.0% | 40.0% | | Equity | 40.0% | 40.0% | |
| Prêts et Services SAS | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| Projéo | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | V1 |
| RCS Botswana Proprietary Ltd | Botswana | | | | | | | | S3 |
| RCS Cards Proprietary Ltd | South Africa | Full | 100% | 100% | | Full | 100% | 100% | |
| RCS Collections Proprietary Ltd | South Africa | | | | | | | | S3 |
| RCS Home Loans Proprietary Ltd | South Africa | | | | | | | | S3 |
| RCS Investment Holdings Ltd | South Africa | Full | 100% | 100% | | Full | 100% | 100% | |
| RCS Investment Holdings Namibia Proprietary Ltd | Namibia | | | | | | | | S3 |
| Retail Mobile Wallet | France | Full | 100% | 100% | | Full | 100% | 100% | D1 |
| Servicios Financieros Carrefour EFC SA | Spain | Equity | 37.3% | 40.0% | | Equity | 37.3% | 40.0% | V4 |
| Sundaram BNPP Home Finance Ltd | India | Equity | 49.9% | 49.9% | | Equity | 49.9% | 49.9% | |
| Suning Consumer Finance Company Ltd | China | Equity | 15.0% | 15.0% | E1 | | | | |
| Sygma Banque | France | | | | | | | | S4 |
| Sygma Banque (Poland branch) | Poland | | | | | | | | S1 |
| Sygma Banque (UK branch) | UK | | | | | | | | S1 |
| Sygma Funding Two Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| Symag | France | Full | 100% | 100% | | Full | 100% | 100% | |
| TEB Tuketici Finansman AS | Turkey | Full | 100% | 92.8% | | Full | 100% | 92.8% | |
| UCB Ingatlanhitel RT | Hungary | Full | 100% | 100% | | Full | 100% | 100% | |
| Union de Creditos Inmobiliarios | Spain | Equity (3) | 50.0% | 50.0% | | Equity (3) | 50.0% | 50.0% | |

*(a) As at 31 December 2016, the securitisation funds Autonoria includes 1 silo (Autonoria 2014), versus 2 silos as at 31 December 2015 (Autonoria 2014 and Autonoria 2012-2).*
*(b) As at 31 December 2015 and 31 December 2016, the securitisation funds Domos include Domos 2008 and Domos 2011 (with 2 silos: Domos 2011-A and Domos 2011-B).*
*(c) As at 31 December 2016, the securitisation funds UCI include 14 funds (FCC UCI 7 to 12, 14 to 18 and RMBS Prado I to III), versus 12 funds as at 31 December 2015 (FCC UCI 7 to 12, 14 to 18 and RMBS Prado I).*

***Changes in the scope of consolidation***

***New entries (E) in the scope of consolidation***
*E1 Passing qualifying thresholds as defined by the Group (see note 1.b)*
*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 as defined by the Group (see note 1.b)*
*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 for prudential purposes.*
*(3) Jointly controlled entities under proportional consolidation for prudential purposes.*

4

| Name | Country | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| Von Essen Bank GmbH (Ex- Von Essen Bank GmbH & Co KG Bankgesellschaft) | Germany | Full | 100% | 99.9% | | Full | 100% | 99.9% | |
| Structured Entities | | | | | | | | | |
| Cofinoga Funding Two LP | UK | Full | - | - | | Full | - | - | |
| FCC Retail ABS Finance Noria 2009 | France | Full | - | - | | Full | - | - | |
| Fideicomiso Financiero Cetelem II, III et IV | Argentina | | | | | | | | S1 |
| Florence 1 SRL | Italy | Full | - | - | | Full | - | - | |
| Florence SPV SRL | Italy | Full | - | - | | Full | - | - | |
| Noria 2015 | France | Full | - | - | | Full | - | - | E2 |
| Phedina Hypotheken 2010 BV | Netherlands | Full | - | - | | Full | - | - | |
| Phedina Hypotheken 2011-I BV | Netherlands | | | | S1 | Full | - | - | |
| Phedina Hypotheken 2013-I BV | Netherlands | Full | - | - | | Full | - | - | |
| Securitisation funds Autonoria (a) | France | Full | - | - | | Full | - | - | |
| Securitisation funds Domos (b) | France | Full | - | - | | Full | - | - | |
| Securitisation funds UCI (c) | Spain | Equity (3) | - | - | | Equity (3) | - | - | |
| **International Retail Banking** | | | | | | | | | |
| **Retail Banking in the United States of America** | | | | | | | | | |
| 1897 Services Corporation | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BancWest Corporation | USA | Full | 100% | 100% | E2 | | | | |
| BancWest Holding Inc | USA | 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 | Full | 100% | 100% | |
| Bishop Street Capital Management Corporation | USA | Full | 100% | 82.6% | V3 | Full | 100% | 100% | |
| BW Insurance Agency Inc | USA | | | | | | | | S2 |
| Center Club Inc | USA | Full | 100% | 82.6% | V3 | Full | 100% | 100% | |
| CFB Community Development Corporation | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Claas Financial Services LLC | USA | Full | 51.0% | 51.0% | V2 | Full | 75.9% | 63.4% | |
| Commercial Federal Affordable Housing Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Commercial Federal Community Development Corporation | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Commercial Federal Insurance Corporation | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Commercial Federal Investment Service Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Community Service Inc | USA | | | | | | | | S1 |
| FHB Guam Trust Co | USA | Full | 100% | 82.6% | V3 | Full | 100% | 100% | |
| FHL SPC One Inc | USA | Full | 100% | 82.6% | V3 | Full | 100% | 100% | |
| First Bancorp | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| First Hawaïan Bank (Cayman Islands branch) | Cayman Islands | | | | | | | | S1 |
| First Hawaiian Bank | USA | Full | 100% | 82.6% | V3 | Full | 100% | 100% | |
| First Hawaiian Capital 1 | USA | | | | | | | | S1 |
| First Hawaiian Inc (Ex- BancWest Corporation) | USA | Full | 82.6% | 82.6% | V2 | Full | 100% | 100% | |
| First Hawaiian Leasing Inc | USA | Full | 100% | 82.6% | V3 | Full | 100% | 100% | |
| First National Bancorporation | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| First Santa Clara Corporation | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Liberty Leasing Company | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Mountain Falls Acquisition Corporation | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Real Estate Delivery 2 Inc | USA | Full | 100% | 82.6% | V3 | Full | 100% | 100% | |
| The Bankers Club Inc | USA | Full | 100% | 82.6% | V3 | Full | 100% | 100% | |
| 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 | - | - | E2 |
| Bank of the West Auto Trust 2016-1 (Ex- Bank of the West Auto Trust 2015-2) | USA | Full | - | - | | Full | - | - | E2 |
| Bank of the West Auto Trust 2016-2 | USA | Full | - | - | E2 | | | | |
| BOW Auto Receivables LLC | USA | Full | - | - | | Full | - | - | |
| Commercial Federal Realty Investors Corporation | USA | | | | | | | | S1 |
| Commercial Federal Service Corporation | USA | | | | | | | | S1 |
| Equipment Lot FH | USA | | | | S2 | Full | - | - | |
| Equipment Lot Siemens 1998A-FH | USA | | | | S3 | Full | - | - | |
| Glendale Corporate Center Acquisition LLC | USA | Full | - | - | | Full | - | - | |

| Name | Country | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| LACMTA Rail Statutory Trust (FH1) | USA | Full | - | - | | Full | - | - | |
| Lexington Blue LLC | USA | | | | S2 | Equity | - | - | |
| MNCRC Equipement Lot | USA | | | | | | | | S2 |
| Riverwalk Village Three Holdings LLC | USA | Full | - | - | | Full | - | - | |
| Santa Rita Townhomes Acquisition LLC | USA | Full | - | - | | Full | - | - | |
| Southwest Airlines 1993 Trust N363SW | USA | | | | | | | | S2 |
| ST 2001 FH-1 Statutory Trust | USA | Full | - | - | | Full | - | - | |
| SWB 99-1 | USA | | | | S2 | Full | - | - | |
| VTA 1998-FH | USA | Full | - | - | | Full | - | - | |
| **Europe-Mediterranean** | | | | | | | | | |
| Bank BGZ BNPP SA | Poland | Full | 88.3% | 88.3% | | Full | 88.3% | 88.3% | V1&V3 |
| Bank of Nanjing | China | Equity | 18.9% | 18.9% | V1 | Equity | 18.8% | 18.8% | 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% | D1 | Equity* | 55.6% | 55.6% | |
| 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% | V4 | Full | 66.7% | 66.7% | |
| BICI Bourse | Ivory Coast | Equity* | 90.0% | 53.5% | | Equity* | 90.0% | 53.5% | E1 |
| BMCI Asset Management | Morocco | Equity* | 100% | 67.0% | V4 | Equity* | 100% | 66.7% | V3 |
| BMCI Assurance SARL | Morocco | Equity* | 100% | 67.0% | V4 | Equity* | 100% | 66.7% | V3 |
| BMCI Banque Offshore | Morocco | Full | 100% | 67.0% | V4 | Full | 100% | 66.7% | V3 |
| BMCI Leasing | Morocco | Full | 86.9% | 58.2% | V4 | Full | 86.9% | 58.0% | V3 |
| BNP Intercontinentale | France | | | | | | | | S4 |
| BNPP Bank Polska SA | Poland | | | | | | | | S4 |
| 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% | V2 | Equity | 49.8% | 49.8% | |
| Kronenburg Vastgoed BV | Netherlands | | | | | | | | S3 |
| Orient Commercial Bank | Viet Nam | | | | | | | | S2 |
| Stichting Effecten Dienstverlening | Netherlands | | | | | | | | S3 |
| Sygma Bank Polska SA (Spolka Akcyjna) | Poland | | | | S4 | Full | 100% | 88.3% | E2 |
| TEB Faktoring AS | Turkey | Full | 100% | 72.5% | V4 | Full | 100% | 72.4% | 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% | V1 |
| TEB SH A | Serbia | Full | 100% | 50.0% | | Full | 100% | 50.0% | |
| TEB Yatirim Menkul Degerler AS | Turkey | Full | 100% | 72.5% | V4 | Full | 100% | 72.4% | V1 |
| The Economy Bank NV | Netherlands | | | | | | | | S3 |
| Turk Ekonomi Bankasi AS | Turkey | Full | 100% | 72.5% | V4 | Full | 100% | 72.4% | V1 |
| Turk Ekonomi Bankasi AS (Bahrain branch) | Bahrain | | | | | | | | S1 |
| UkrSibbank Public JSC | Ukraine | Full | 60.0% | 60.0% | V2 | Full | 85.0% | 100% | |
| Union Bancaire pour le Commerce et l'Industrie | Tunisia | Full | 50.1% | 50.1% | | Full | 50.1% | 50.1% | |
| **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 Emeklilik Anonim Sirketi | Turkey | Full (2) | 100% | 100% | D1 | Equity* | 100% | 100% | |
| BNPP Cardif General Insurance Co Ltd | Rep. of Korea | Equity* | 79.6% | 79.6% | V4 | Equity* | 77.5% | 77.5% | V4 |
| 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 | Equity* | 100% | 100% | |
| 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 Limitada | Chile | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BNPP Cardif TCB Life Insurance Company Ltd | Taiwan | Equity | 49.0% | 49.0% | | Equity | 49.0% | 49.0% | |

| Name | Country | 31 December 2016 Method | Voting (%) | Interest (%) | Ref. | 31 December 2015 Method | Voting (%) | Interest (%) | Ref. |
|---|---|---|---|---|---|---|---|---|---|
| BNPP Cardif Vita Compagnia di Assicurazione E Riassicurazione SPA | Italy | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | |
| BOB-Cardif Life Insurance Company Ltd | China | Equity | 50.0% | 50.0% | | Equity | 50.0% | 50.0% | |
| 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 | Equity* | 100% | 100% | |
| Cardif Colombia Seguros Generales SA | Colombia | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | |
| Cardif del Peru Sa Compania de Seguros | Peru | | | | | | | | S3 |
| 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% | E1 |
| 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 Hayat Sigorta Anonim Sirketi | Turkey | | | | | | | | S3 |
| Cardif Insurance Company LLC | Russia | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | |
| Cardif I-Services | France | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| Cardif Leven | Belgium | | | | | | | | S4 |
| 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% | |

| Name | Country | 31 December 2016 Method | Voting (%) | Interest (%) | Ref. | 31 December 2015 Method | Voting (%) | Interest (%) | Ref. |
|---|---|---|---|---|---|---|---|---|---|
| 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 Osiguranje | Croatia | Equity* | 100% | 100% | | Equity* | 100% | 100% | E1 |
| 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% | D1 | Full (2) | 100% | 100% | |
| Cardif Seguros SA | Argentina | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | |
| Cardif Services SAS | France | | | | S3 | Equity* | 100% | 100% | E1 |
| Cargeas Assicurazioni SPA | Italy | Equity | 50.0% | 50.0% | | Equity | 50.0% | 50.0% | |
| CB (UK) Ltd | UK | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | |
| Darnell Ltd | Ireland | Full (2) | 100% | 100% | | Full (2) | 100% | 100% | |
| F&B Insurance Holdings SA | Belgium | | | | | | | | S1 |
| GIE BNPP Cardif | France | Full (2) | 100% | 99.0% | | Full (2) | 100% | 99.0% | |
| 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 | Equity | 33.3% | 33.3% | |
| Poistovna Cardif Slovakia AS | Slovakia | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| Portes de Claye SCI | France | Equity | 45.0% | 45.0% | | Equity | 45.0% | 45.0% | V3 |
| Scoo SCI | France | Equity | 46.4% | 46.4% | | Equity | 46.4% | 46.4% | V3 |
| State Bank of India Life Insurance Company Ltd | India | Equity | 26.0% | 26.0% | | Equity | 26.0% | 26.0% | |
| ***Structured Entities*** | | | | | | | | | |
| BNPP Actions Euroland | France | Full (2) | - | - | | Full (2) | - | - | E1 |
| BNPP Aqua | France | Full (2) | - | - | | Full (2) | - | - | |
| BNPP Convictions | France | Full (2) | - | - | | Full (2) | - | - | E1 |
| BNPP Developpement Humain | France | Full (2) | - | - | | Full (2) | - | - | E1 |
| BNPP Global Senior Corporate Loans | France | Full (2) | - | - | | Full (2) | - | - | |
| BNPP Money 3M | France | | | | | | | | S3 |
| Cardimmo | France | Full (2) | - | - | | Full (2) | - | - | |
| Natio Fonds Ampère 1 | France | Full (2) | - | - | | Full (2) | - | - | |
| Odyssée SCI | France | Full (2) | - | - | | Full (2) | - | - | |
| Profilea Monde Equilibre | France | | | | | | | | S4 |
| Société Immobilière du Royal Building SA | Luxembourg | Full (2) | - | - | | Full (2) | - | - | |
| Theam Quant Equity Europe Guru | France | | | | S2 | Full (2) | - | - | E1 |
| **Wealth Management** | | | | | | | | | |
| B*Capital | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| Bank Insinger de Beaufort NV | Netherlands | | | | S2 | Full | 63.0% | 63.0% | |
| Bank Insinger de Beaufort NV (UK branch) | UK | | | | S2 | Full | 100% | 63.0% | |
| BNPP Espana SA | Spain | Full | 99.7% | 99.7% | | Full | 99.7% | 99.7% | |
| BNPP Wealth Management | France | | | | S4 | Full (1) | 100% | 100% | |
| BNPP Wealth Management (Hong Kong branch) | Hong Kong | | | | S4 | Full (1) | 100% | 100% | |
| BNPP Wealth Management (Singapore branch) | Singapore | | | | S4 | Full (1) | 100% | 100% | |
| BNPP Wealth Management Monaco | Monaco | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |

*(d) As at 31 December 2016, 81 Construction-Sale Companies (Real Estate programs) (70 full and 11 equity) versus 90 as at 31 December 2015 (80 full and 10 equity).*

***Changes in the scope of consolidation***

***New entries (E) in the scope of consolidation***

*E1 Passing qualifying thresholds as defined by the Group (see note 1.b)*
*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 as defined by the Group (see note 1.b)*
*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 for prudential purposes.*
*(3) Jointly controlled entities under proportional consolidation for prudential purposes.*

| | | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| Conseil Investissement SNC | France | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| **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 | Full | 100% | 98.3% | |
| Alfred Berg Asset Management AB (Finland branch) | Finland | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| Alfred Berg Asset Management AB (Norway branch) | Norway | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| Alfred Berg Fonder AB | Sweden | Full | 100% | 98.3% | | 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 | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| Alfred Berg Rahastoyhtio Oy | Finland | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| Bancoestado Administradora General de Fondos SA | Chile | Equity | 50.0% | 49.1% | | Equity | 50.0% | 49.1% | |
| BNPP Asset Management Brasil Ltda | Brazil | Full | 100% | 99.6% | | Full | 100% | 99.6% | |
| BNPP Asset Management Inc | USA | | | | | | | | S4 |
| BNPP Asset Management India Private Ltd | India | Equity* | 100% | 98.3% | | Equity* | 100% | 98.3% | |
| BNPP Asset Management SAS | France | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Asset Management SAS (Austria branch) | Austria | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Capital Partners | France | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BNPP Investment Partners | France | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners (Australia) Holdings Pty Ltd | Australia | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners (Australia) Ltd | Australia | Equity* | 100% | 98.3% | | Equity* | 100% | 98.3% | |
| BNPP Investment Partners Argentina SA | Argentina | Equity* | 100% | 99.6% | | Equity* | 100% | 99.6% | |
| BNPP Investment Partners Asia Ltd | Hong Kong | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners BE Holding | Belgium | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners Belgium | Belgium | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners Belgium (Germany branch) | Germany | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners Funds Nederland NV | Netherlands | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners Japan Ltd | Japan | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners Latam SA | Mexico | Equity* | 99.1% | 97.4% | | Equity* | 99.1% | 97.4% | |
| BNPP Investment Partners Luxembourg | Luxembourg | Full | 99.7% | 98.0% | | Full | 99.7% | 98.0% | |
| BNPP Investment Partners Netherlands NV | Netherlands | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners NL Holding NV | Netherlands | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners PT | Indonesia | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners Singapore Ltd | Singapore | Equity* | 100% | 98.3% | | Equity* | 100% | 98.3% | |
| BNPP Investment Partners Societa di Gestione del Risparmio SPA | Italy | Full | 100% | 100% | | Full | 100% | 100% | V4 |
| BNPP Investment Partners UK Ltd | UK | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| BNPP Investment Partners USA Holdings Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| CamGestion | France | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| Fischer Francis Trees & Watts Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Fischer Francis Trees & Watts UK Ltd | UK | | | | S3 | Equity* | 100% | 98.3% | |
| 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% | |
| Shinhan BNPP Asset Management Co Ltd | Rep. of Korea | Equity | 35.0% | 34.4% | | Equity | 35.0% | 34.4% | |
| THEAM | France | Full | 100% | 98.3% | | Full | 100% | 98.3% | |
| TKB BNPP Investment Partners Holding BV | Netherlands | | | | | | | | S2 |
| **Real Estate Services** | | | | | | | | | |
| Atisreal Netherlands BV | Netherlands | Full | 100% | 100% | | Full | 100% | 100% | |
| 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 Residentiel | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Residences Services | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Residentiel | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Residentiel Service Clients | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Residentiel Transaction & Conseil | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Immobilier Residentiel V2i | France | | | | | | | | S4 |
| BNPP Real Estate | France | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate (Dubaï branch) | United Arab Emirates | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory & Property Management Czech Republic SRO | Czech Republic | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory & Property Management Hungary Ltd | Hungary | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory & Property Management Ireland Ltd | Ireland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Advisory & Property Management LLC | United Arab Emirates | | | | | | | | S3 |
| 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 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 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 Hotels France | France | Full | 100% | 96.3% | V4 | Full | 100% | 96.0% | V3 |
| BNPP Real Estate Investment Management Belgium | Belgium | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Real Estate Investment Management France | France | Full | 100% | 100% | V1 | Full | 96.8% | 96.8% | |
| BNPP Real Estate Investment Management Germany GmbH | Germany | Full | 94.9% | 94.9% | | Full | 94.9% | 94.9% | |
| BNPP Real Estate Investment Management Germany GmbH (Italy branch) | Italy | Full | 100% | 94.9% | | Full | 100% | 94.9% | |
| BNPP Real Estate Investment Management Germany GmbH (Spain branch) | Spain | Full | 100% | 94.9% | | Full | 100% | 94.9% | |
| BNPP Real Estate Investment Management Italy | 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 | 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 | 96.3% | 96.3% | V1 | Full | 96.0% | 96.0% | V2 |
| 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 Ingenierie et Promotion Immobilière | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Immobiliere des Bergues | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Locchi SRL | Italy | Full | 100% | 100% | | Full | 100% | 100% | E1 |

| Name | Country | 31 December 2016 Method | Voting (%) | Interest (%) | Ref. | 31 December 2015 Method | Voting (%) | Interest (%) | Ref. |
|---|---|---|---|---|---|---|---|---|---|
| Meunier Hispania | Spain | | | | S1 | Full | 100% | 100% | |
| Parker Tower Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | E3 |
| 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% | E2 |
| San Basilio 45 SRL | Italy | | | | S2 | Full | 100% | 100% | |
| Siège Issy | France | Full | 100% | 100% | | Full | 100% | 100% | |
| Sviluppo Residenziale Italia SRL | Italy | Full | 100% | 100% | | Full | 100% | 100% | |
| Via Crespi 26 SRL | Italy | | | | | | | | S2 |
| **Corporate & Institutional Banking** | | | | | | | | | |
| **Securities Services** | | | | | | | | | |
| BNPP Dealing Services | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Dealing Services (UK branch) | UK | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| BNPP Dealing Services Asia Ltd | Hong Kong | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Fund Administration Services Ireland Ltd | Ireland | Full | 100% | 100% | | Full | 100% | 100% | E3 |
| BNPP Fund Services Australasia Pty Ltd | Australia | Equity* | 100% | 100% | | Equity* | 100% | 100% | D1 |
| BNPP Fund Services Australasia Pty Ltd (New Zealand branch) | New Zealand | Equity* | 100% | 100% | | Equity* | 100% | 100% | D1 |
| BNPP Fund Services Dublin Ltd | Ireland | | | | | | | | S4 |
| BNPP Fund Services France | France | | | | S4 | Full | 100% | 100% | |
| BNPP Global Securities Operations Private Ltd (Ex- BNPP Sundaram Global Securities Operations Private Ltd) | India | Full | 100% | 100% | | Full | 100% | 100% | V1 |
| 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% | |

| Name | Country | 31 December 2016 Method | Voting (%) | Interest (%) | Ref. | 31 December 2015 Method | Voting (%) | Interest (%) | Ref. |
|---|---|---|---|---|---|---|---|---|---|
| **CIB EMEA (Europe, 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% | E2 |
| Opéra Trading Capital (Hong Kong branch) | Hong Kong | Full | 100% | 100% | | Full | 100% | 100% | E2 |
| Opéra Trading Capital (UK branch) | UK | Full | 100% | 100% | | Full | 100% | 100% | E2 |
| Parilease | France | Full (1) | 100% | 100% | | Full (1) | 100% | 100% | |
| Taitbout Participation 3 SNC | 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 | Full | - | - | |
| Atargatis | France | Full | - | - | | Full | - | - | |
| Austin Finance | France | Full | - | - | | Full | - | - | |
| BNPP Flexi III Deposit Euro | France | | | | | | | | S2 |
| 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 | - | - | |
| Méditerranéa | 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 Arbitrage Issuance BV | Netherlands | 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 Emission-und Handel GmbH | Germany | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Ireland Unlimited Company (Ex- BNPP Ireland) | Ireland | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Islamic 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 Ltd | Ireland | Equity* | 100% | 100% | | Equity* | 100% | 100% | D1 |
| 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 | | | | | | | | S3 |
| Hime Holding 2 SA | Luxembourg | | | | | | | | S3 |
| Hime Holding 3 SA | Luxembourg | | | | | | | | S3 |
| Landspire Ltd | UK | Full | 100% | 100% | | Full | 100% | 100% | |
| SC Nueva Condo Murcia SL | Spain | Equity* | 100% | 99.9% | | 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*** | | | | | | | | | |
| 54 Lombard Street Investments Ltd | UK | | | | | | | | S1 |
| Alectra Finance PLC | Ireland | Full | - | - | | Full | - | - | |
| Alleray SARL | Luxembourg | | | | S1 | Full | - | - | |
| Aquarius + Investments PLC | Ireland | Full | - | - | | Full | - | - | |
| BNPP International Finance Dublin | Ireland | Full | - | - | | Full | - | - | |

***Changes in the scope of consolidation***

***New entries (E) in the scope of consolidation***

*E1 Passing qualifying thresholds as defined by the Group (see note 1.b)*
*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 as defined by the Group (see note 1.b)*
*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 for prudential purposes.*
*(3) Jointly controlled entities under proportional consolidation for prudential purposes.*

| | | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| BNPP Investments N°1 Ltd | UK | Full | - | - | | Full | - | - | |
| BNPP Investments N°2 Ltd | UK | Full | - | - | | Full | - | - | |
| BNPP IP Euro Clo 2015-1 BV | Netherlands | | | | | | | | S3 |
| Boug BV | Netherlands | Full | - | - | | Full | - | - | V1 |
| Boug BV (UK branch) | UK | Full | - | - | | Full | - | - | |
| Crossen SARL | Luxembourg | | | | S3 | Full | - | - | |
| European Index Assets BV | Netherlands | | | | | | | | S2 |
| Harewood Financing Ltd | UK | | | | S3 | Full | - | - | |
| Madison Arbor Ltd | Ireland | Full | - | - | | Full | - | - | |
| Matchpoint Finance Public Company Ltd | Ireland | Full | - | - | | Full | - | - | |
| Omega Capital Funding Ltd | Ireland | Full | - | - | | Full | - | - | |
| Omega Capital Investments PLC | Ireland | Full | - | - | | Full | - | - | |
| Royale Neuve I SARL | Luxembourg | | | | S1 | Full | - | - | |
| Scaldis Capital (Ireland) Ltd | Ireland | | | | S3 | Full | - | - | |
| Scaldis Capital Ltd | Jersey | Full | - | - | | Full | - | - | |
| **Middle East** | | | | | | | | | |
| BNPP Investment Company KSA | Saudi Arabia | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| **Africa** | | | | | | | | | |
| BNPP Securities South Africa Holdings PTY Ltd | South Africa | Equity* | 60.0% | 60.0% | | Equity* | 60.0% | 60.0% | |
| BNPP Securities South Africa PTY Ltd | South Africa | Equity* | 100% | 60.0% | | Equity* | 100% | 60.0% | V1 |
| **CIB Americas** | | | | | | | | | |
| Banco BNPP Brasil SA | Brazil | Full | 100% | 100% | | Full | 100% | 100% | |
| Banexi Holding Corporation | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP (Canada) Valeurs Mobilières | Canada | Equity* | 100% | 100% | | 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 Corporation Financiera SA | Colombia | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BNPP Energy Trading Canada Corp | Canada | | | | S3 | Equity* | 100% | 100% | |
| 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 | Equity* | 100% | 100% | | Equity* | 100% | 100% | E1 |
| BNPP Leasing Corporation | USA | Equity* | 100% | 100% | D1 | Full | 100% | 100% | |
| BNPP Mortgage Corp | USA | | | | S4 | Full | 100% | 100% | |
| BNPP North America Inc | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| 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% | |
| BNPP USA Inc (Ex- Paribas North America Inc) | USA | Full | 100% | 100% | | Full | 100% | 100% | |
| Corporation BNPP Canada (Ex- BNPP Canada) | Canada | Full | 100% | 100% | | Full | 100% | 100% | |
| Cronos Holding Company Ltd | Bermuda | | | | | | | | S3 |
| FB Transportation Capital LLC | USA | | | | S1 | Full | 100% | 99.9% | |
| Fortis Funding LLC | USA | | | | S3 | Full | 100% | 99.9% | |
| French American Banking Corporation | USA | Full | 100% | 100% | | 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*** | | | | | | | | | |
| Alamo Funding II Inc | USA | | | | | | | | S2 |
| BNPP EQD Brazil Fund Fundo Invest Multimercado | Brazil | Full | - | - | | Full | - | - | |
| BNPP Finance Inc | USA | | | | S3 | Full | - | - | |
| 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 (Ex- BNPP VPG Modern Lux Media LLC) | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Freedom Communications LLC | USA | Full | - | - | | Full | - | - | |
| BNPP VPG Lake Butler LLC | USA | | | | | | | | S1 |
| 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 (Ex- BNPP VPG CB 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 | Full | - | - | | Full | - | - | |
| BNPP VPG Titan Outdoor LLC | USA | | | | | | | | S1 |
| Marc Finance Ltd | Cayman Islands | | | | | | | | S3 |
| Matchpoint Master Trust | USA | | | | S1 | Full | - | - | |
| Ozcar Multi-Strategies LLC | USA | Equity* | - | - | E1 | | | | |
| Scaldis Capital LLC | USA | | | | | | | | S1 |
| Starbird Funding Corporation | USA | Full | - | - | | Full | - | - | |
| TCG Fund I LP | Cayman Islands | | | | | | | | S1 |
| Tender Option Bond Municipal program | USA | | | | | | | | S3 |
| VPG SDI Media LLC | USA | Equity* | - | - | | Equity* | - | - | V1 |
| **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 (China) Ltd | China | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Arbitrage (Hong Kong) Ltd | Hong Kong | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Capital (Asia Pacific) Ltd | Hong Kong | | | | | | | | S3 |
| 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 (Singapore) Pte Ltd | Singapore | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities (Taiwan) Co Ltd | Taiwan | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities India Private Ltd | India | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities Indonesia PT | Indonesia | Full | 99.0% | 99.0% | | Full | 99.0% | 99.0% | |
| BNPP Securities Japan Ltd | Japan | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP Securities Korea Company Ltd | Rep. of Korea | Full | 100% | 100% | | Full | 100% | 100% | |
| BNPP SJ Ltd | Hong Kong | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BNPP SJ Ltd (Japan branch) | Japan | Equity* | 100% | 100% | | Equity* | 100% | 100% | |
| BPP Holdings Pte Ltd | Singapore | Full | 100% | 100% | | Full | 100% | 100% | |
| ***Structured Entities*** | | | | | | | | | |
| ACG Capital Partners Singapore Pte Ltd | Singapore | | | | | | | | S2 |
| **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 | Full | 100% | 100% | |
| **Private Equity (BNP Paribas Capital)** | | | | | | | | | |
| 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 | Equity* | 100% | 99.9% | | Equity* | 100% | 99.9% | |
| Cobema | Belgium | Full | 100% | 100% | | Full | 100% | 100% | |
| Compagnie Financière Ottomane SA | Luxembourg | Full | 97.2% | 97.2% | V1 | Full | 97.1% | 97% | 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 | 99.9% | 99.9% | | Full | 99.9% | 99.9% | |
| **Investment companies and other subsidiaries** | | | | | | | | | |
| BNPP Home Loan SFH | France | Full (1) | 100% | 100% | | Full | 100% | 100% | |

| | | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Country | Method | Voting (%) | Interest (%) | Ref. | Method | Voting (%) | Interest (%) | Ref. |
| BNPP Mediterranée Innovation et Technologies | Morocco | | | | | | | | S2 |
| 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% | |
| Compagnie d'Investissements de Paris | France | | | | | | | | S4 |
| Financière BNPP | France | | | | | | | | S4 |
| 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% | D1 | Equity* | 100% | 100% | |
| Lion International Investments SA (Ex- BNL 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 | - | - | E1 |
| BNPP US Medium Term Notes Program LLC | USA | | | | S3 | Full | - | - | |
| BNPP-SME-1 | France | Full | - | - | | Full | - | - | |
| FCT Laffitte 2016 | France | Full | - | - | E2 | | | | |
| FCT Opéra | France | Full | - | - | | Full | - | - | |
| **Klépierre** | | | | | | | | | |
| Klépierre SA | France | | | | | | | | S2 |

*Changes in the scope of consolidation*

***New entries (E) in the scope of consolidation***

*E1 Passing qualifying thresholds as defined by the Group (see note 1.b)*
*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 as defined by the Group (see note 1.b)*
*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 for prudential purposes.*
*(3) Jointly controlled entities under proportional consolidation for prudential purposes.*

## 7.k FEES PAID TO THE STATUTORY AUDITORS

| In 2016<br>*Excluding tax, in thousands of euros* | Deloitte | | PricewaterhouseCoopers Audit | | Mazars | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Total | % | Total | % | Total | % | Total | % |
| **Audit** | | | | | | | | |
| Statutory audits and contractual audits, including | | | | | | | | |
| Issuer | 3,233 | 16% | 5,185 | 23% | 1,969 | 18% | 10,387 | 19% |
| Consolidated subsidiaries | 10,375 | 49% | 11,033 | 49% | 8,382 | 77% | 29,790 | 55% |
| Other reviews and services directly related to the statutory audit engagement, including[1] | | | | | | | | |
| Issuer | 3,131 | 15% | 1,311 | 6% | 16 | 0% | 4,458 | 8% |
| Consolidated subsidiaries | 1,900 | 9% | 4,199 | 18% | 574 | 5% | 6,673 | 12% |
| **Sub-total** | **18,639** | **89%** | **21,728** | **96%** | **10,941** | **100%** | **51,308** | **94%** |
| **Other services provided by the networks to fully-consolidated subsidiaries** | | | | | | | | |
| Legal, tax, social | | 0% | 70 | 0% | | 0% | 70 | 0% |
| Others | 2,379 | 11% | 873 | 4% | 3 | 0% | 3,255 | 6% |
| **Sub-total** | **2,379** | **11%** | **943** | **4%** | **3** | **0%** | **3,325** | **6%** |
| **TOTAL** | **21,018** | **100%** | **22,671** | **100%** | **10,944** | **100%** | **54,633** | **100%** |

| In 2015<br>*Excluding tax, in thousands of euros* | Deloitte | | PricewaterhouseCoopers Audit | | Mazars | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | Total | % | Total | % | Total | % | Total | % |
| **Audit** | | | | | | | | |
| Statutory audits and contractual audits, including | | | | | | | | |
| Issuer | 3,254 | 16% | 5,000 | 22% | 1,957 | 19% | 10,211 | 19% |
| Consolidated subsidiaries | 10,727 | 54% | 10,036 | 44% | 7,785 | 76% | 28,548 | 53% |
| Other reviews and services directly related to the statutory audit engagement, including | | | | | | | | |
| Issuer | 2,324 | 12% | 2,119 | 9% | 246 | 2% | 4,689 | 9% |
| Consolidated subsidiaries | 2,211 | 11% | 4,882 | 21% | 214 | 2% | 7,307 | 14% |
| **Sub-total** | **18,516** | **93%** | **22,037** | **96%** | **10,202** | **99%** | **50,755** | **95%** |
| **Other services provided by the networks to fully-consolidated subsidiaries** | | | | | | | | |
| Legal, tax, social | 29 | 0% | 96 | 0% | 2 | 0% | 127 | 0% |
| Others | 1,376 | 7% | 1,006 | 4% | 65 | 1% | 2,447 | 5% |
| **Sub-total** | **1,405** | **7%** | **1,102** | **4%** | **67** | **1%** | **2,574** | **5%** |
| **TOTAL** | **19,921** | **100%** | **23,139** | **100%** | **10,269** | **100%** | **53,329** | **100%** |

(1) *In order to maintain comparability between the two exercises, this table displays the fees according to the typology existing before the implementation of the new audit standard on 17 June 2016. The new standard renders obsolete the distinction between "Other reviews and services directly related to the statutory audit engagement" and "Other services provided by the networks".*

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, amount to EUR 687 thousand for the year 2016 (EUR 934 thousand in 2015).

Other work and services related directly to audit work, are mainly composed this year of reviews of the entity's compliance with regulatory provisions, which were increased due to regulatory changes, 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. To a lesser extent, they also include works related to reviews of risks and internal control and due diligences on financial transactions.

# 4.7 Statutory Auditors' report on the consolidated financial statements

| 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 |

For the year ended 31 December 2016

*This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English speaking users.*

*The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.*

*This report also includes information relating to the specific verification of information given in the Group's management report.*

*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 compliance with the assignment entrusted to us by your General Shareholders' Meeting, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying consolidated financial statements of BNP Paribas SA;
- the justification of our assessments;
- the specific verification required by law.

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

## I - Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2016 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.

## II - Justification of our assessments

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

**Impairment provisions for credit and counterparty risk**

BNP Paribas SA records impairment provisions to cover the credit and counterparty risk inherent to its business as described in Notes 1.c.5, 2.g, 4.f, 4.g, 4.h and 4.q to the consolidated financial statements. We examined the control procedures applicable to identifying risk exposure, monitoring credit and counterparty risk, defining impairment testing methods and determining individual and portfolio-based impairment losses.

**Measurement of financial instruments**

BNP Paribas SA uses internal models and methodologies to value its positions on financial instruments which are not traded on active markets, as well as to determine certain provisions and assess whether hedging designations are appropriate. We examined the control procedures applicable to identifying inactive markets, verifying these models and determining the inputs used.

**Impairment of available-for-sale assets**

BNP Paribas SA recognizes impairment losses on available-for-sale assets where there is objective evidence of a prolonged or significant decline in value, as described in Notes 1.c.5, 2.d and 4.c to the consolidated financial statements. We examined the control procedures relating to the identification of such evidence, the valuations of the most significant captions, and the estimates used, where applicable, to record impairment losses.

**Technical reserves of insurance companies**

BNP Paribas SA recognizes technical reserves to hedge risks related to insurance contracts, as described in Notes 1.d.2, 2.e and 4.p to the consolidated financial statements. We examined the method adopted to measure these liabilities, as well as the main assumptions and inputs used.

**Impairment related to goodwill**

BNP Paribas SA carried out impairment tests on goodwill which led to the recording of impairment losses in 2016, as described in Notes 1.b.4 and 4.o to the consolidated financial statements. We examined the methods used to implement these tests as well as the main assumptions, inputs and estimates used, where applicable, to record impairment losses.

**Deferred tax assets**

BNP Paribas SA recognizes deferred tax assets during the year, notably in respect of tax loss carryforwards, as described in Notes 1.k, 2.i and 4.k to the consolidated financial statements. We examined the main estimates and assumptions used to record the deferred tax assets.

**Provisions for employee benefits**

BNP Paribas SA raises provisions to cover its employee benefit obligations, as described in Notes 1.h, 4.q and 6.b to the consolidated financial statements. We examined the method adopted to measure these obligations, as well as the main assumptions and inputs used.

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



## III - Specific verification

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

Neuilly-sur-Seine and Courbevoie, 7 March 2017

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 desire to meet the needs of investors and analysts expressed as part of the initiative taken by the Financial Stability Board aiming to improve financial information published by international financial institutions (Enhanced Disclosure Task Force – EDTF). A table allowing cross-referencing between the 2012 recommendations of EDTF and the information published in the Registration document is presented in Appendix 7.

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 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 2016 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 2016, the minimum liquidity coverage ratio has been set at 70% 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).

> 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 of 15 July 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.

In chapter five 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 ratio*

| In millions of euros | Phased-in | |
|---|---|---|
| | 31 December 2016 | 31 December 2015 |
| COMMON EQUITY TIER 1 (CET1) CAPITAL | 74,075 | 69,562 |
| TIER 1 CAPITAL | 82,152 | 76,854 |
| TOTAL CAPITAL | 92,454 | 85,920 |
| RISK-WEIGHTED ASSETS | 638,207 | 629,626 |
| RATIOS | | |
| Common Equity Tier 1 (CET1) capital | 11.6% | 11.0% |
| Tier 1 capital | 12.9% | 12.2% |
| Total capital | 14.5% | 13.6% |



*Fully loaded ratio(*)*

| In millions of euros | Fully loaded(*) | |
|---|---|---|
| | 31 December 2016 | 31 December 2015 |
| COMMON EQUITY TIER 1 (CET1) CAPITAL | 73,562 | 68,867 |
| TIER 1 CAPITAL | 80,944 | 74,046 |
| TOTAL CAPITAL | 90,868 | 82,063 |
| RISK-WEIGHTED ASSETS | 640,673 | 633,527 |
| RATIOS | | |
| Common Equity Tier 1 (CET1) capital | 11.5% | 10.9% |
| Tier 1 capital | 12.6% | 11.7% |
| Total capital | 14.2% | 13.0% |

(*) *In accordance with grandfathered Additional Tier 1 and Tier 2 eligibility rules applicable as of 2019.*

The Group has a very solid balance sheet with a fully loaded CET1 ratio of 11.5% as at 31 December 2016, up 60 basis points over 31 December 2015, due primarily to the appropriation to reserves of net income for the year after dividends.

In response to changes in the Supervisory Review and Evaluation Process (SREP) in 2016 (see *Capital adequacy* in section 5.2), the Common Equity Tier 1 capital requirement that the Group is required to meet on a consolidated basis was set at 8% in 2017 (excluding "Pillar 2 guidance") including the G-SIB buffer of 1%. The anticipated level of fully loaded Basel 3 CET1 ratio requirement is 10.25% in 2019 given the gradual phasing-in of the G-SIB capital buffer to 2% in 2019.

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.

(See *Capital adequacy and capital planning* in section 5.2).

## OTHER REGULATORY RATIOS

### TABLE 2: LEVERAGE RATIO

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **LEVERAGE RATIO**(*) | **4.4%** | **4.0%** |

(*) *See Capital adequacy and capital planning in section 5.2.*

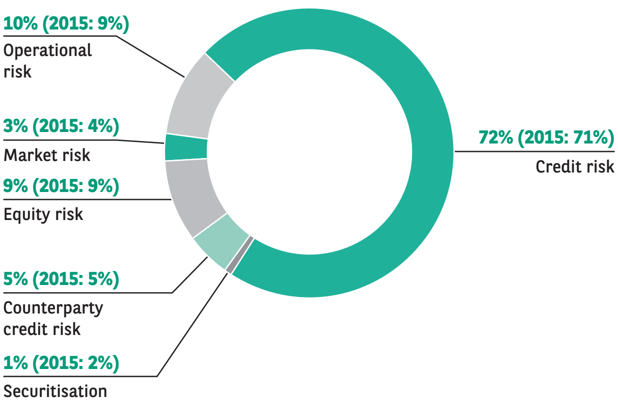
### TABLE 3: LIQUIDITY COVERAGE RATIO (LCR)

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **LIQUIDITY COVERAGE RATIO (LCR)**(*) | **123%** | **124%** |

(*) *See Liquidity risk management and supervision in section 5.8.*

## RISK-WEIGHTED ASSETS BY RISK TYPE AND BY BUSINESS LINE

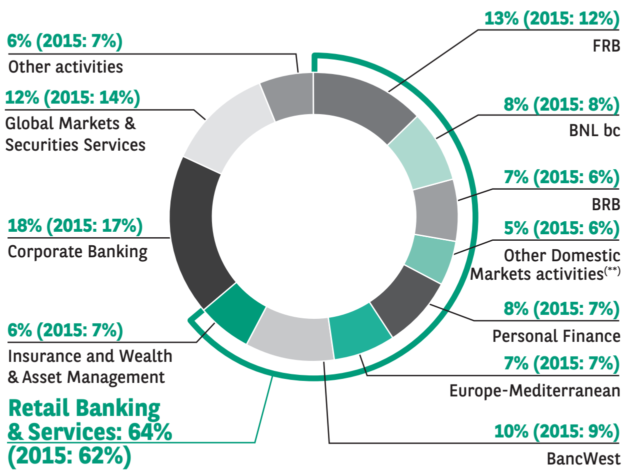
### FIGURE 1: RISK-WEIGHTED ASSETS BY RISK TYPE(*)




(*) *Breakdown at 31 December 2016 excluding impacts of transitional arrangements.*

Most of the Group's exposures give rise to credit risk. Market risk is limited to 3% of the Group's risk-weighted assets as of 31 December 2016.

### FIGURE 2: RISK-WEIGHTED ASSETS BY BUSINESS LINE(*)




(*) *Breakdown at 31 December 2016 excluding impacts of transitional arrangements.*
(**) *Including Luxembourg.*

As at 31 December 2016, the Group's risks are well spread and no single business makes up more than 18% of its risk-weighted assets. Retail Banking and Services account for 64% of risk-weighted assets.

Risk-weighted assets are presented in this chapter pursuant to full application of Basel 3 regulations, *i.e.* without taking transitional arrangements into account.

The impact of transitional arrangements amounted to -EUR 2.5 billion as at 31 December 2016 (*i.e.* -0.4% relative to full application), and corresponds to the portion of unrealised gains not included in the equity risk exposure value because they were excluded from Common Equity Tier 1 capital (see section 5.2 Table 14 *Risk-weighted assets – transitional arrangements*).

## FOCUS ON THE LOAN PORTFOLIO

### ➤ TABLE 4: CREDIT RISK(*) PORTFOLIO BY GEOGRAPHICAL REGION

| Exposures *In millions of euros* | Central governments or central banks | Corporates | Institutions | Retail | Total | % |
|---|---|---|---|---|---|---|
| | 31 December 2016 | | | | | |
| Europe(**) | 224,523 | 384,238 | 41,123 | 359,548 | 1,009,432 | 70% |
| North America | 39,387 | 127,545 | 10,714 | 42,624 | 220,269 | 15% |
| Asia Pacific | 44,586 | 53,267 | 9,860 | 167 | 107,880 | 7% |
| Rest of the world | 13,476 | 56,480 | 6,134 | 24,762 | 100,852 | 7% |
| **TOTAL** | **321,972** | **621,530** | **67,831** | **427,101** | **1,438,434** | **100%** |

| Exposures *In millions of euros* | Central governments or central banks | Corporates | Institutions | Retail | Total | % |
|---|---|---|---|---|---|---|
| | 31 December 2015 | | | | | |
| Europe(**) | 197,036 | 373,699 | 55,311 | 342,208 | 968,254 | 69% |
| North America | 46,760 | 126,437 | 12,844 | 32,996 | 219,038 | 16% |
| Asia Pacific | 50,765 | 45,037 | 11,799 | 562 | 108,163 | 8% |
| Rest of the world | 14,770 | 55,025 | 8,161 | 24,857 | 102,813 | 7% |
| **TOTAL** | **309,332** | **600,199** | **88,114** | **400,623** | **1,398,268** | **100%** |

(*) *Other non credit-obligation assets excluded.*
(**) *Within the European Free Trade Association, EFTA.*



As at 31 December 2016, more than 85% of the Group's credit risk exposure was concentrated in developed countries.

### ➤ TABLE 5: LOANS QUALITY

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **DOUBTFUL LOANS(*)/LOANS(**)** | **3.8%** | **4.0%** |
| **COVERAGE RATIO(***)** | **89%** | **88%** |
| **COST OF RISK/CUSTOMER LOANS (IN ANNUALISED BP)** | **46** | **54** |

(*) *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 for gross doubtful loans, both on and off-balance sheet, net of guarantee and collaterals.*

Credit exposure to sovereigns, financial institutions, corporates and specialised financing of Investment Grade counterparties represented 77% of IRBA credit risk exposure as of 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 a threefold objective: identifying current and potential future risks, organising them into a hierarchy – both with regard to the economic context and to consequences for BNP Paribas portfolio, 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;
- a transversal policies on concentrations, corporate social responsibility and other;
- market and liquidity risk decisions made by Group ALCo 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 2016, global growth stabilised slightly above 3%, despite a much lower growth in the advanced economies. Three major transitions continue to affect the global outlook: declining economic growth in China, fluctuating energy prices that rose in 2016, and a second tightening of monetary policy in the United States in the context of a resilient domestic recovery. It should be noted that the central banks of several large developed countries continue to maintain accommodative monetary policies. IMF economic forecasts for 2017[1] point to a recovery in global activity, no significant improvement in growth in the euro zone and Japan, and a slowdown in the United Kingdom.

In that context, two risks can be identified:

#### Financial instability due to the vulnerability of emerging countries

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.

A broad increase in the foreign exchange liabilities of the economies of many emerging market economies was observed in 2016, at a time when debt levels (in both foreign and local currency) were already high. The private sector was the main source of the increase in this debt. Furthermore, the prospect of a gradual increase in US key rates (the Federal Reserve Bank made its first increase in December 2015, and a second in December 2016) and increased financial volatility stemming from concerns about growth and mounting geopolitical risk in emerging markets have contributed to a tightening of external financial conditions, increased capital outflows, further currency depreciations in many emerging markets and heightened risks for banks. These factors could result in further downgrades of sovereign ratings.

There is still a risk of disturbances in global markets (rising risk premiums, erosion of confidence, declining growth, deferral or slower pace of normalisation of monetary policies, declining liquidity in markets, asset valuation problems, decline in credit supply and disorderly deleveraging) that could affect all banking institutions.

#### Systemic risks related to increased debt and market liquidity

Despite the upturn since mid-2016, interest rates remain low, which may continue to encourage excessive risk-taking among some players in the financial system: increased maturities of financing and assets held, less stringent policy for granting loans, increase in leveraged financing.

Some players (insurance companies, pension funds, asset managers, etc.) entail an increasingly systemic dimension and in the event of market turbulence (linked for instance to a sudden rise in interest rates and/or a sharp price correction) they may decide to unwind large positions in an environment of relatively weak market liquidity.

*(1) See notably: IMF – World Economic Outlook, updated in January 2017.*

Recent years have also seen an increase in debt (public and private, in both developed and emerging countries). The resulting risk could materialise either in the event of a spike in interest rates or a further negative growth shock.

### 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 uncleared derivative products and the derivatives of securities 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.

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 risk

In recent years, financial institutions have been impacted by a number of cyber incidents, notably involving large-scale alterations of data which compromise the quality of financial information. This risk remains today and the Bank, like other banks, has taken measures to implement systems to deal with cyber attacks that could destroy or damage data and critical systems and hamper the smooth running of its operations. Moreover, the regulatory and supervisory authorities are taking initiatives to promote the exchange of information on cyber security and cyber criminality in order to improve the security of technological infrastructures and establish effective recovery plans after a cyber incident.

## 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 2016, the Group identified the following emerging risks:

- the increase in maturity and liquidity transformation activities by non-banking institutions, such as crowdfunding platforms and certain non-regulated investment funds, often associated with substantial leverage and sometimes with an incomplete transfer of risks and regulatory arbitrage, could represent a risk for the Bank, in particular by promoting the development of a new form of competition;
- following the financial crisis, regulations have encouraged or required that an increasing number of over-the-counter (OTC) derivative transactions be cleared via central counterparties (CCPs) approved by the authorities and subject to prudential regulations. Since default by one or more clearing houses would affect BNP Paribas, it has introduced a dedicated monitoring of these central counterparties and closely tracks concentrations with them;
- world trade has grown at a slower pace than global GDP over the last five years. This trend can be ascribed to a number of factors: the near completion of the integration of emerging countries into the global economy, the de-segmentation of production chains, the concentration of production sites in a smaller number of countries and, naturally, the weight of services relative to industry. Other than the direct effects on sectors such as transport and logistics and the impact on revenue

(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".*

derived from international trade operations, the stagnation of world trade carries the risk of prompting non-cooperative behaviour between countries;

- moreover, BNP Paribas recognises the importance of climate change and the impacts it has had or could have on economic players, especially energy-producing or energy-intensive companies. Two types of risks have been identified in relation to climate change: (i) physical risks, either affecting or liable to affect customers' assets and activities depending on their location; and (ii) carbon risks, related to the transition to a low-carbon economy favouring means of production and consumption that emit fewer greenhouse gases. The impact of these risks will be felt by all players in the economy, but will be more pronounced in some industrial sectors than in others. BNP Paribas supports its clients in the face of climate change, and monitors the risks associated with it. In November 2015, BNP Paribas announced a number of measures to strengthen its carbon risk management system (see the section devoted to *Credit risk management* in section 5.4 *Credit risk*);
- the development of the digital economy is resulting in major changes for the banking sector. These changes bring opportunities, but also risks for the Group directly and indirectly through its customers and counterparties. These risks for the Group include the inappropriate or poorly controlled use of certain new tools or technologies brought about by the digital revolution (artificial intelligence, mass data processing) and the risk of disintermediation of certain banking activities by new platforms or technologies. The Group has unveiled a proactive strategy in this area to adapt its activities to these technological developments. The impact of the digital economy's growth on the economic model of customers and counterparties is being analysed internally by sector specialists focused on the economic sectors most exposed to this evolution.

## AREAS OF SPECIAL INTEREST IN 2016

The United Kingdom held a referendum on 23 June 2016 which resulted in a majority vote to leave the European Union ("Brexit"). The BNP Paribas Group operates in the United Kingdom through several branches and subsidiaries (see section 8.6 *List of locations* 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. As at 31 December 2016, BNP Paribas generated 5.7% of its pre-tax operating income in the United Kingdom (see section 8.6 *Profit and loss 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 2016 represent 4% 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 5.8% 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].

2016 was also marked by changes in conditions in Turkey, reflected in particular by a sharp rise in interest rates and a depreciation in the Turkish lira.

BNP Paribas's presence in Turkey is primarily through its TEB subsidiary (ranking no. 9 in Retail Banking in Turkey with a market share of approximately 3.4%). As at 31 December 2016, the Group generated 3.4% 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 14.4% as at 31 December 2016, 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 2016 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 1.3% of the banking book's sovereign exposure and is essentially borne by TEB Group.

BNP Paribas continued to monitor sectors sensitive to changes in raw material and energy prices. In addition, operations in the shipping financing sector were thoroughly reviewed in the third quarter of 2016. The analyses relating to these sectors are set out in the discussion of sector diversification in section 5.4.

The risks associated with changes in the macroeconomic and market environment are described in section 5.1 *Risk factors*[2].

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. 282);
- securitisation in the banking book in section 5.5 (p. 320);
- counterparty credit risk in section 5.6 (p. 330);
- market risk in section 5.7 (p. 340);
- liquidity risk in section 5.8 (p. 360);
- operational risk in section 5.9 (p. 371);
- compliance and reputation risk in section 5.9 (p. 371);
- insurance risks in section 5.10 (p. 378).


*(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 ENVIRONMEMT

***Difficult market and economic conditions have had and may continue to 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 has been, 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, 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 and military conflicts). 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. In 2017, the macroeconomic environment could be subject to various specific risks, including geopolitical tensions, political transitions and elections in certain countries creating uncertainties and potentially sharp changes, financial market volatility, slowdowns in certain emerging markets, weak growth in the euro zone, fluctuations in commodity prices and changes in monetary policies.

Moreover, a resurgence of a sovereign debt crisis cannot be ruled out, particularly in a rising interest rate environment with increasing funding costs. In particular, European markets experienced significant disruptions in recent years as a result of 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 in the future may 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 were to deteriorate due among other things to concerns over the European economy (in turn triggered by the heightened risk of or even the occurrence of a sovereign default, the failure of a significant financial institution or the exit of a country from the euro zone or the European Union), unforeseeable variations in oil and commodity prices and interest rates, rising inflation or significant fluctuations in foreign exchange rates (in particular rising interest rates or any strengthening of the euro), a continued or increased slowdown of economic growth in emerging countries and China in particular, terrorist attacks or political instability, 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**"). The referendum is non-binding, but the British Government has indicated that the United Kingdom will invoke the appropriate procedures to implement Brexit. Once it does so, it will begin negotiations to determine its relationship with the European Union going forward, including regarding trade, financial and legal arrangements. 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.

***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. Recent examples of such country risk include security concerns and political changes in Turkey following the attempted coup in July 2016, and political uncertainty in Italy following the rejection in December 2016 of the referendum on constitutional reform and the resulting change in government. Upcoming elections in France, Germany and The

Netherlands in 2017 May also contribute to an environment of political uncertainty. 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 their 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 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 periods of prolonged 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 is 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, could result in an overall 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.

Furthermore, to the extent that central banks, particularly in the United States and the United Kingdom, are expected to increase interest rates in 2017, any sharper than expected change could cause stress in loan portfolios and the Bank's underwriting activity, particularly in relation to non-investment grade lending, possibly leading to an increase in the Bank's cost of risk. In a rising interest rate environment, 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, increasing interest rates weigh on consumer debt affordability and corporate profitability and hence potentially on economic growth and our revenues.

***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 can also be exposed to the risks related to the increasing involvement in the financial sector of players subject to little or no regulations (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. Potentially significant additional potential exposure is also possible in the form of litigation and claims in the context of the bankruptcy proceedings of Bernard L. Madoff Investment Services (BLMIS) (a number of which are pending against the Bank), and other potential claims relating to counterparty or client investments made, directly or indirectly, in BLMIS or other entities controlled by Bernard Madoff, or to the receipt of investment proceeds from BLMIS.

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, 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), 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 "CRD 4/CRR" dated 26 June 2013, implementing the Basel III 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 2011-2012, the Bank implemented an adaptation plan in anticipation of these requirements, including reducing its balance sheet and bolstering its capital. In addition, the Financial Stability Board published on 9 November 2015 the final principles and term sheet regarding total loss absorbing capacity ("TLAC"), which will require "G-SIBs" or "Global Systemically Important Banks" (including the Bank) to maintain a significant amount of liabilities and instruments readily available for bail-in, in addition to the Basel III capital requirements, 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 ("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) and stress tests, in connection with which it has powers to require banks to hold capital in excess of minimum capital requirements in order to address specific risks (so-called "Pillar 2" requirements), and more generally to impose additional liquidity requirements and possibly other regulatory 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 ("SRM") and a Single Resolution Fund ("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 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.

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 Regulation of the European Commission 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 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 moratorium tool. 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 the full impact of these proposals.

Furthermore, a proposal for a Regulation of the European Parliament and of the Council of 29 January 2014 on structural measures improving the resilience of EU credit institutions, as amended on 19 June 2015, would prohibit certain proprietary trading activities by European credit institutions that meet certain criteria (particularly as to size) and require them to conduct certain high-risk trading activities only through subsidiaries.

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.

*US 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 US Federal Reserve System (the "Federal Reserve Board") imposing enhanced prudential standards on the US operations of large foreign banks required the Bank to designate or create an intermediate holding company ("IHC") for its US 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 stand-alone basis. In addition, on 4 March 2016, the Federal Reserve Board re-proposed single counterparty credit limits that would apply to both the US IHCs and the combined US operations (including US branch operations) of systemically important Foreign Banking organizations (such as the Bank). Under proposals that remain under consideration, the IHC and the combined US operations of the Bank may become subject to limits on credit exposures to any single counterparty, and the combined US 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 US rules implementing the Basel III liquidity coverage ratio and net stable funding ratio to the combined US operations (including US 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 final rules require, among other things, the Bank's US 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 US IHC will be required to issue this long-term debt internally to any foreign affiliate that is wholly owned, directly or indirectly, by the Bank, for so long as the Bank maintains a single-point-of-entry resolution strategy. The rules also impose limitations on the types and amount of other financial transactions that the Bank's US 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 US regulatory authorities in December 2013, places certain restrictions on the ability of US and non-US 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 has extended the conformance deadline for pre-2014 "legacy" investments in and relationships with private equity funds and hedge funds until 21 July 2017. The Volcker Rule's implementing regulations are highly complex and may be subject to further regulatory interpretation and guidance, and its full impact will not be known with certainty for some time. US 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. In late 2015, the Federal Reserve Board and other US 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 US banking regulators, including the Bank. These margin requirements, which began a progressive entry into effect in September 2016, will require the Bank to post and collect additional, high-quality collateral for certain transactions, which will increase the costs of uncleared swaps and security-based swaps offered by the Bank to its customers who are "US persons" as defined under the rules which apply globally. The US 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-US jurisdictions and in any event by October 2018, and has also proposed rules that would apply position limits to certain physical commodity swaps. The US 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 2017 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. 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 tax legislation or the application thereof;
- changes in accounting norms;
- changes in rules and procedures relating to internal controls, risk management and compliance;
- 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. 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, US federal and New York state government agencies and regulatory authorities including the US Department of Justice, the New York County District Attorney's Office, the US 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 US Department of the Treasury and the New York State Department of Financial Services, in settlement of investigations into violations of US 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 US 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 US 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 2016 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.***

The Bank has announced a certain number of strategic objectives, in particular in a transformation plan for CIB for the 2016-2019 period presented in February 2016 and a strategic plan for the 2017-2020 period presented on 7 February 2017. These plans contemplate a number of initiatives, including the implementation of new customer journeys, the digital transformation of the Bank, continuing to improve operating efficiency and various business development initiatives.

The plans include 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.

***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. 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, 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 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", which is set to replace IAS 39 as from 1 January 2018 after its adoption by the European Union. The standard amends and complements the rules on the classification and measurement of financial instruments. It includes a new impairment model based on expected credit losses (ECL), while the current model is based on provisions for incurred losses, and new rules on general hedge accounting. The new approach based on ECL could result in substantial additional impairment charges for the Bank and 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.

***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 US authorities for violations of US 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. 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 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 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 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, a pandemic, terrorist attacks, military conflicts 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 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.j to the consolidated financial statements.

The differences between the consolidation scope and the prudential one are mentioned in note 7.j 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:

- 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 (see footnote (2) of the note 7.j to the consolidated financial statements);
- 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 (see footnote (3) of the note 7.j to the consolidated financial statements).

Asset disposals and risk transfers are assessed with regard to the nature of the risk transfer that results; thus, securitisation vehicles are excluded from the prudential scope if the securitisation transaction is deemed effective, that is, providing a significant risk transfer.

## TABLE 6: CONSOLIDATED BALANCE SHEET TO PRUDENTIAL BALANCE SHEET RECONCILIATION

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| *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 | 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.*

| *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) |
|---|---|---|---|---|---|
| | 31 December 2015 | | | | |
| **ASSETS** | | | | | |
| Cash and amounts due from central banks | 134,547 | - | 126 | 134,673 | - |
| Financial instruments at fair value through profit or loss | | | | | |
| Trading securities | 133,500 | - | 5 | 133,505 | - |
| Loans and repurchase agreements | 131,783 | 5,988 | - | 137,771 | - |
| Instruments designated as at fair value through profit or loss | 83,076 | (80,468) | - | 2,608 | - |
| Derivative financial instruments | 336,624 | (31) | (15) | 336,578 | - |
| Derivatives used for hedging purposes | 18,063 | (104) | 12 | 17,971 | - |
| Available-for-sale financial assets | 258,933 | (108,603) | 4,501 | 154,831 | - |
| *of which own funds instruments in credit or financial institutions more than 10%-owned* | *945* | *1,740* | - | *2,685* | *1* |
| *of which own funds instruments in credit or financial institutions less than 10%-owned* | *1,360* | - | - | *1,360* | *2* |
| Loans and receivables due from credit institutions | 43,427 | (1,442) | (3,302) | 38,683 | - |
| *of which own funds instruments in credit or financial institutions more than 10%-owned* | *436* | - | *(40)* | *396* | *1* |
| *of which own funds instruments in credit or financial institutions less than 10%-owned* | *27* | - | - | *27* | *2* |
| Loans and receivables due from customers | 682,497 | 1,051 | 5,473 | 689,021 | - |
| *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 | 4,555 | - | 9 | 4,564 | - |
| Held-to-maturity financial assets | 7,757 | (7,188) | - | 569 | - |
| Current and deferred tax assets | 7,865 | (34) | 103 | 7,934 | - |
| Accrued income and other assets | 108,018 | (5,217) | 316 | 103,117 | - |
| Equity-method investments | 6,896 | 4,766 | (594) | 11,068 | - |
| *of which investments in credit or financial institutions* | *3,150* | - | *(594)* | *2,556* | *1* |
| *of which goodwill* | *430* | *224* | - | *654* | *3* |
| Investment property | 1,639 | (1,312) | - | 327 | - |
| Property, plant and equipment | 21,593 | (404) | 110 | 21,299 | - |
| Intangible assets | 3,104 | (156) | 15 | 2,963 | - |
| *of which intangible assets excluding mortgage servicing rights* | *3,052* | *(156)* | *15* | *2,911* | *3* |
| Goodwill | 10,316 | (224) | - | 10,092 | 3 |
| **TOTAL ASSETS** | **1,994,193** | **(193,378)** | **6,759** | **1,807,574** | **-** |

| In millions of euros | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | 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 | 2,385 | - | - | 2,385 | - |
| Financial instruments at fair value through profit or loss | | | | | |
| Trading securities | 82,544 | - | 4 | 82,548 | - |
| Borrowings and repurchase agreements | 156,771 | - | - | 156,771 | - |
| Instruments designated as at fair value through profit or loss | 53,118 | (1,263) | - | 51,855 | - |
| *of which liabilities qualifying for Tier 1 capital* | *198* | - | - | *198* | *4* |
| *of which liabilities qualifying for Tier 2 capital* | *467* | - | - | *467* | *5* |
| Derivative financial instruments | 325,828 | (59) | (19) | 325,750 | - |
| Derivatives used for hedging purposes | 21,068 | - | 33 | 21,101 | - |
| Due to credit institutions | 84,146 | (1,696) | 840 | 83,290 | - |
| Due to customers | 700,309 | (3,568) | 4,488 | 701,229 | - |
| Debt securities | 159,447 | 2,252 | 1,046 | 162,745 | - |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 3,946 | - | - | 3,946 | - |
| Current and deferred tax liabilities | 2,993 | (366) | 121 | 2,748 | - |
| Accrued expenses and other liabilities | 88,629 | (2,384) | 141 | 86,386 | - |
| Technical reserves of insurance companies | 185,043 | (185,043) | - | - | - |
| Provisions for contingencies and charges | 11,345 | (283) | 41 | 11,103 | - |
| Subordinated debt | 16,544 | (823) | 64 | 15,785 | - |
| *of which liabilities qualifying for Tier 1 capital* | - | - | - | - | *4* |
| *of which liabilities qualifying for Tier 2 capital* | *14,670* | - | - | *14,670* | *5* |
| **TOTAL LIABILITIES** | **1,894,116** | **(193,233)** | **6,759** | **1,707,642** | **-** |
| Share capital and related share premium accounts | 26,970 | - | - | 26,970 | 6 |
| Own equity instruments | (129) | - | - | (129) | - |
| Undated Super Subordinated Notes | 7,855 | 11 | - | 7,866 | 7 |
| Non-distributed reserves | 48,143 | - | - | 48,143 | - |
| Changes in assets and liabilities recognised directly in equity | 6,736 | - | - | 6,736 | 8 |
| Net income for the period attributable to shareholders | 6,694 | - | - | 6,694 | 9 |
| Minority interests | 3,808 | (156) | - | 3,652 | 10 |
| **TOTAL CONSOLIDATED EQUITY** | **100,077** | **(145)** | **-** | **99,932** | **-** |
| **TOTAL LIABILITIES AND EQUITY** | **1,994,193** | **(193,378)** | **6,759** | **1,807,574** | **-** |

(*) *Adjustment of jointly controlled entities under proportional consolidation for prudential purposes, consolidated using the equity-method in the accounting scope.*

## SIGNIFICANT SUBSIDIARIES

The capital requirements 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 at 31 December 2016:

- 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.

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 7: TRANSITION FROM CONSOLIDATED EQUITY TO COMMON EQUITY TIER 1 (CET1) CAPITAL

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Phased-in | Transitional arrangements(*) | Phased-in | Transitional arrangements(*) |
| **Consolidated equity** | **105,073** | **-** | **99,932** | **-** |
| Undated Super Subordinated Notes ineligible in CET1 | (8,441) | - | (7,866) | - |
| Proposed distribution of dividends | (3,364) | - | (2,875) | - |
| Ineligible minority interests | (1,560) | 854 | (946) | 1,047 |
| Changes in the fair value of hedging instruments recognised directly in equity | (1,154) | - | (1,353) | - |
| Changes in the value of financial assets available for sale and reclassified loans and receivables recognised directly in equity | (948) | (948) | (2,067) | (1,478) |
| Additional value adjustments linked to prudent valuation requirements | (1,018) | - | (1,120) | - |
| Goodwill and other intangible assets | (13,431) | - | (13,509) | - |
| Net deferred tax assets arising from tax loss carry-forwards | (378) | 506 | (139) | 871 |
| Negative amounts resulting from the calculation of expected losses | (1,034) | 12 | (865) | 16 |
| Other prudential adjustments | 330 | 89 | 370 | 239 |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL** | **74,075** | **513** | **69,562** | **695** |

*(*) 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 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 on 20 January 2017, 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 8: REGULATORY CAPITAL

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | 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 | 26,995 | | 26,970 | - |
| *of which ordinary shares* | *26,995* | | *26,970* | - |
| Retained earnings | 52,070 | - | 48,686 | - |
| Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) | 6,169 | | 6,736 | - |
| Minority interests (amount allowed in consolidated CET1) | 2,837 | 854 | 2,706 | 1,047 |
| Independently reviewed interim profits net of any foreseeable charge or dividend | 3,979 | - | 3,536 | - |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS** | **92,051** | **854** | **88,634** | **1,047** |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments(**) | (17,976) | (341) | (19,072) | (352) |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL** | **74,075** | **513** | **69,562** | **695** |
| Additional Tier 1 (AT1) capital: instruments(**) | 8,809 | 1,414 | 8,159 | 2,945 |
| Additional Tier 1 (AT1) capital: regulatory adjustments(**) | (732) | (719) | (867) | (832) |
| **ADDITIONAL TIER 1 (AT1) CAPITAL** | **8,077** | **695** | **7,292** | **2,113** |
| **TIER 1 CAPITAL (T1 = CET1 + AT1)** | **82,152** | **1,208** | **76,854** | **2,808** |
| Tier 2 (T2) capital: instruments and provisions(**) | 13,218 | (389) | 10,979 | 184 |
| Tier 2 (T2) capital: regulatory adjustments(**) | (2,917) | 767 | (1,913) | 865 |
| **TIER 2 (T2) CAPITAL** | **10,302** | **378** | **9,066** | **1,049** |
| **TOTAL CAPITAL (TC = T1 + T2)** | **92,454** | **1,585** | **85,920** | **3,857** |

*(*) 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 92.5 billion at 31 December 2016, a transitional adjustment of EUR 1.6 billion compared with the fully loaded Basel 3 amount. This transitional adjustment is essentially linked to the AT1 grandfathered debt of EUR 1.4 billion. Details are given in Appendix 3.

The details of the debt instruments recognised as capital, as well as their characteristics, as required by Implementing Regulation No. 1423/2013, are available in the *BNP Paribas Debt* section of the Investor Relations website: www.invest.bnpparibas.com.

### ➤ TABLE 9: CHANGE IN REGULATORY CAPITAL

| *In millions of euros* | Phased-in |
|---|---|
| **COMMON EQUITY TIER 1 (CET1) CAPITAL** | |
| **1 January 2016** | **69,562** |
| **Common Equity Tier 1 capital: instruments and reserves** | **3,416** |
| Capital instruments and the related share premium accounts | 26 |
| *of which ordinary shares* | *26* |
| Retained earnings | (152) |
| Accumulated other comprehensive income | (567) |
| Minority interests | 131 |
| Independently reviewed interim profits net of any foreseeable charge or dividend | 3,979 |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | **1,097** |
| *of which additional value adjustments* | *102* |
| *of which intangible assets and goodwill* | *78* |
| *of which net deferred tax assets depending on future profits and resulting from losses carried forward* | *(238)* |
| *of which fair value reserves related to gains or losses on cash flow hedges* | *199* |
| *of which negative amounts resulting from the calculation of expected loss amounts* | *(170)* |
| *of which gains or losses on liabilities valued at fair value resulting from changes in own credit standing* | *(24)* |
| *of which regulatory adjustments relating to unrealised gains and losses* | *1,119* |
| *of which other regulatory adjustments* | *30* |
| **31 December 2016** | **74,075** |
| **ADDITIONAL TIER 1 CAPITAL** | |
| **1 January 2016** | **7,292** |
| **Additional Tier 1 (AT1) capital: instruments** | **651** |
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | **135** |
| Loans to credit or financial institutions more than 10%-owned | 91 |
| Others | 43 |
| **31 December 2016** | **8,077** |
| **TIER 2 CAPITAL** | |
| **1 January 2016** | **9,066** |
| **Tier 2 (T2) capital: instruments and provisions** | **2,239** |
| **Tier 2 (T2) capital: regulatory adjustments** | **(1,003)** |
| Loans to credit or financial institutions more than 10%-owned | (947) |
| Others | (57) |
| **31 December 2016** | **10,302** |

### TABLE 10: CHANGE IN ELIGIBLE DEBT

| In millions of euros | Phased-in Tier1 | Phased-in Tier2 |
|---|---|---|
| **1 January 2016** | **8,125** | **10,958** |
| New issues | 2,035 | 3,726 |
| Redemptions | (1,437) | (561) |
| Prudential discount | - | (1,086) |
| Others | (58) | 114 |
| **31 December 2016** | **8,665** | **13,151** |

## CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

### TABLE 11: RISK-WEIGHTED ASSETS BY RISK TYPE AND BUSINESS

| RWAs<br>*In millions of euros* | 31 December 2016<br>Retail Banking & Services<br>Domestic Markets | <br><br>International Financial Services | <br>Corporate & Institutional Banking<br>Corporate Banking | <br><br>Global Markets | <br><br>Securities Services | <br><br>Other activities | <br><br>Total | |
|---|---|---|---|---|---|---|---|---|
| **Credit risk** | **183,131** | **145,592** | **99,785** | **4,054** | **1,841** | **23,885** | **458,287** | See section 5.4 |
| IRB approach | 122,808 | 16,457 | 93,798 | 2,473 | 1,301 | 1,855 | 238,693 | |
| Standardised approach | 60,323 | 129,134 | 5,987 | 1,581 | 540 | 22,030 | 219,594 | |
| **Banking book securitisation positions** | **449** | **544** | **938** | **5,730** | **1** | **802** | **8,463** | See section 5.5 |
| IRB approach | 331 | 185 | 938 | 5,452 | 1 | 802 | 7,708 | |
| Standardised approach | 117 | 360 | 0 | 278 | 0 | 0 | 755 | |
| **Counterparty credit risk** | **2,625** | **800** | **358** | **27,440** | **1,904** | **40** | **33,168** | See section 5.6 |
| CCP | 0 | 0 | 86 | 2,338 | 1,371 | 0 | 3,796 | |
| CVA Charge | 71 | 130 | 169 | 3,923 | 18 | 35 | 4,347 | |
| Counterparty credit risk - excl. CCP and CVA charges | 2,554 | 670 | 103 | 21,179 | 515 | 5 | 25,025 | |
| **Equity risk** | **5,843** | **32,312** | **2,018** | **1,662** | **439** | **12,424** | **54,698** | See section 5.7 |
| **Market risk** | **59** | **253** | **933** | **19,314** | **50** | **1,920** | **22,529** | See section 5.7 |
| Internal model | 0 | 91 | 322 | 18,397 | 38 | 1,919 | 20,766 | |
| Standardised approach | 59 | 162 | 611 | 123 | 12 | 1 | 969 | |
| Trading book securitisation positions | 0 | 0 | 0 | 794 | 0 | 0 | 794 | |
| **Operational risk** | **18,521** | **16,970** | **9,964** | **13,637** | **2,919** | **1,517** | **63,527** | See section 5.9 |
| **TOTAL** | **210,628** | **196,471** | **113,996** | **71,836** | **7,154** | **40,588** | **640,673** | See section 5.2 |

| RWAs *In millions of euros* | 31 December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail Banking & Services | | Corporate & Institutional Banking | | | | | |
| | Domestic Markets | International Financial Services | Corporate Banking | Global Markets | Securities Services | Other activities | Total | |
| **Credit risk** | **179,089** | **141,022** | **92,042** | **8,988** | **1,440** | **26,700** | **449,282** | See section 5.4 |
| IRB approach | 116,985 | 14,377 | 86,769 | 6,396 | 1,069 | 3,145 | 228,740 | |
| Standardised approach | 62,105 | 126,645 | 5,273 | 2,592 | 372 | 23,556 | 220,542 | |
| **Banking book securitisation positions** | **909** | **646** | **221** | **9,676** | **1** | **1,173** | **12,625** | See section 5.5 |
| IRB approach | 757 | 79 | 221 | 9,675 | 1 | 1,173 | 11,905 | |
| Standardised approach | 151 | 567 | 0 | 2 | 0 | 0 | 720 | |
| **Counterparty credit risk** | **2,636** | **909** | **23** | **24,021** | **1,548** | **91** | **29,228** | See section 5.6 |
| CCP | 0 | 0 | 0 | 1,385 | 1,048 | 0 | 2,432 | |
| CVA Charge | 138 | 334 | 22 | 2,919 | 12 | 81 | 3,507 | |
| Counterparty credit risk - excl. CCP and CVA charges | 2,498 | 575 | 1 | 19,718 | 488 | 10 | 23,289 | |
| **Equity risk** | **5,329** | **33,595** | **2,869** | **1,962** | **358** | **13,966** | **58,079** | See section 5.7 |
| **Market risk** | **170** | **424** | **1,488** | **19,573** | **57** | **2,052** | **23,764** | See section 5.7 |
| Internal model | 0 | 28 | 280 | 18,693 | 0 | 2,038 | 21,039 | |
| Standardised approach | 170 | 395 | 1,208 | 142 | 57 | 14 | 1,986 | |
| Trading book securitisation positions | 0 | 0 | 0 | 739 | 0 | 0 | 739 | |
| **Operational risk** | **16,367** | **15,706** | **9,122** | **15,456** | **2,675** | **1,222** | **60,548** | See section 5.9 |
| **TOTAL** | **204,501** | **192,301** | **105,765** | **79,677** | **6,079** | **45,203** | **633,527** | See section 5.2 |

The split of risk-weighted assets by domain reflects the Group's diversified business mix, with 64% devoted to Retail Banking & Services (including 33% for the Domestic Markets and 31% for International Financial Services), 30% to Corporate and Institutional Banking and 6% to Other activities.

The increase in the Group's risk-weighted assets amounted to EUR 7 billion in 2016, with a EUR 6 billion increase in the Domestic Markets, mainly in French Retail Banking and Belgian Retail Banking, EUR 4 billion in International Financial Services, mainly in Personal Finance and International Retail Banking, and a smaller EUR 1 billion increase in Corporate & Institutional Banking, attributable mostly to the implementation of a securitisation transaction, partially offset by a reduction of EUR 4 billion in Other Activities.

## ➤ TABLE 12: PILLAR 1 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENT

Explanations for the changes in 2016 can be found hereunder and in the various appropriate sections.

Capital requirements make up 8% of risk-weighted assets.

| | 31 December 2016 | | 31 December 2015 | | Variation | |
|---|---|---|---|---|---|---|
| *In millions of euros* | RWAs | Capital requirements | RWAs | Capital requirements | RWAs | Capital requirements |
| **Credit risk** | **458,287** | **36,663** | **449,282** | **35,943** | **9,005** | **720** |
| **Credit risk - IRB approach** | **238,693** | **19,095** | **228,740** | **18,299** | **9,953** | **796** |
| Central governments and central banks | 4,581 | 366 | 4,091 | 327 | 490 | 39 |
| Corporates | 171,436 | 13,715 | 163,149 | 13,052 | 8,286 | 663 |
| Institutions | 9,182 | 735 | 9,832 | 787 | (650) | (52) |
| Retail | 53,341 | 4,267 | 51,532 | 4,123 | 1,809 | 145 |
| Other non credit-obligation assets | 153 | 12 | 136 | 11 | 17 | 1 |
| **Credit risk - Standardised approach** | **219,594** | **17,568** | **220,542** | **17,643** | **(948)** | **(76)** |
| Central governments and central banks | 4,413 | 353 | 5,196 | 416 | (783) | (63) |
| Corporates | 90,259 | 7,221 | 94,523 | 7,562 | (4,264) | (341) |
| Institutions | 5,169 | 414 | 6,280 | 502 | (1,111) | (89) |
| Retail | 80,140 | 6,411 | 74,908 | 5,993 | 5,232 | 419 |
| Other non credit-obligation assets | 39,613 | 3,169 | 39,636 | 3,171 | (23) | (2) |
| **Banking book securitisation positions** | **8,463** | **677** | **12,625** | **1,010** | **(4,162)** | **(333)** |
| Securitisation positions - IRB approach | 7,708 | 617 | 11,905 | 952 | (4,197) | (336) |
| Securitisation positions - Standardised approach | 755 | 60 | 720 | 58 | 35 | 3 |
| **Counterparty credit risk** | **33,168** | **2,653** | **29,228** | **2,338** | **3,940** | **315** |
| **Counterparty credit risk - IRB approach** | **29,088** | **2,327** | **26,060** | **2,085** | **3,028** | **242** |
| CCP - excl. default fund contributions | 1,143 | 91 | 751 | 60 | 391 | 31 |
| CVA Charge | 4,044 | 324 | 2,979 | 238 | 1,065 | 85 |
| Counterparty credit risk - excl. CCP and CVA charges | 23,901 | 1,912 | 22,330 | 1,786 | 1,571 | 126 |
| *Central governments and central banks* | *731* | *58* | *786* | *63* | *(55)* | *(4)* |
| *Corporates* | *18,039* | *1,443* | *16,836* | *1,347* | *1,203* | *96* |
| *Institutions* | *5,129* | *410* | *4,707* | *377* | *423* | *34* |
| *Retail* | *2* | *0* | *1* | *0* | *1* | *0* |
| **Counterparty credit risk - Standardised approach** | **4,080** | **326** | **3,169** | **253** | **911** | **73** |
| CCP - default fund contributions | 1,085 | 87 | 554 | 44 | 532 | 43 |
| CCP - excl. default fund contributions | 1,568 | 125 | 1,127 | 90 | 440 | 35 |
| CVA Charge | 303 | 24 | 528 | 42 | (225) | (18) |
| Counterparty credit risk - excl. CCP and CVA charges | 1,124 | 90 | 960 | 77 | 164 | 13 |
| *Central governments and central banks* | *9* | *1* | *1* | *0* | *8* | *1* |
| *Corporates* | *958* | *77* | *807* | *65* | *151* | *12* |
| *Institutions* | *149* | *12* | *146* | *12* | *4* | *0* |
| *Retail* | *8* | *1* | *6* | *0* | *2* | *0* |
| **Equity risk** | **54,698** | **4,376** | **58,079** | **4,646** | **(3,381)** | **(270)** |
| Simple weighting method | 45,175 | 3,614 | 48,260 | 3,861 | (3,084) | (247) |
| Standardised approach | 9,523 | 762 | 9,819 | 786 | (296) | (24) |
| **Market risk** | **22,529** | **1,802** | **23,764** | **1,901** | **(1,235)** | **(99)** |
| Internal model | 20,766 | 1,661 | 21,039 | 1,683 | (273) | (22) |
| *VaR* | *6,415* | *513* | *7,714* | *617* | *(1,299)* | *(104)* |
| *Stressed VaR* | *8,933* | *715* | *8,590* | *687* | *343* | *27* |
| *Incremental Risk Charge* | *4,420* | *354* | *3,849* | *308* | *571* | *46* |
| *Comprehensive Risk Measure* | *998* | *80* | *886* | *71* | *112* | *9* |
| Standardised approach | 969 | 78 | 1,986 | 159 | (1,017) | (81) |
| Trading book securitisation positions | 794 | 64 | 739 | 59 | 56 | 4 |
| **Operational risk** | **63,527** | **5,082** | **60,548** | **4,844** | **2,979** | **238** |
| Advanced Measurement Approach (AMA) | 47,902 | 3,832 | 45,518 | 3,641 | 2,384 | 191 |
| Standardised approach | 9,581 | 766 | 9,090 | 727 | 491 | 39 |
| Basic indicator approach | 6,044 | 484 | 5,941 | 475 | 103 | 8 |
| **TOTAL** | **640,673** | **51,254** | **633,527** | **50,682** | **7,146** | **572** |

The change in risk-weighted assets can be broken down into the following effects:

- currency effect: impact stemming from fluctuations in foreign exchange rates on credit risk exposures;
- volume effect: impact stemming from changes in exposures (EAD);
- parameters effect: impact stemming from the change in risk parameters (Probability of Default, Loss Given Default for the internal ratings-based approach, and risk weight for the standardised approach, etc.);
- scope effect: impact of the portfolio size related to the change in the scope of consolidation;
- method effect: impact of the change in method of calculating capital requirement between two reporting dates (transition to advanced model or change of method at the supervisor's request).

### TABLE 13: RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER

| RWAs *In millions of euros* | 31 December 2015 | Key driver | | | | | | Total Variation | 31 December 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Currency | Volume | Parameters | Perimeter | Method | Other | | | |
| Credit risk | 449,282 | 292 | 23,315 | (13,767) | (1,562) | 4,627 | (3,901) | 9,005 | 458,287 | See section 5.4 |
| Banking book securitisation positions | 12,625 | (84) | (4,211) | (645) | (0) | 25 | 753 | (4,162) | 8,463 | See section 5.5 |
| Counterparty credit risk | 29,228 | (4) | 3,287 | (1,467) | (0) | 1,462 | 661 | 3,940 | 33,168 | See section 5.6 |
| Equity risk | 58,079 | - | (3,607) | (4) | 285 | (65) | 10 | (3,381) | 54,698 | See section 5.7 |
| Market risk | 23,764 | - | (1,497) | 904 | (4) | 38 | (676) | (1,235) | 22,529 | See section 5.7 |
| Operational risk | 60,548 | - | 805 | 2,318 | (88) | 0 | (55) | 2,979 | 63,527 | See section 5.9 |
| **TOTAL** | **633,527** | **205** | **18,091** | **(12,659)** | **(1,370)** | **6,087** | **(3,208)** | **7,146** | **640,673** | |

Below are the main reasons behind the EUR 7 billion increase in risk-weighted assets in 2016:

- an increase of EUR 18 billion in line with business activity, including a EUR 23 billion increase in credit risk, partly offset by a EUR 4 billion decrease in banking book securitisation;
- downward impact of -EUR 14 billion on credit risk, notably with the improvement in risk parameters in International Retail Banking, BNL bc and a maturity effect mainly on the Corporate Banking portfolio;
- change in the risk parameters taken into account in the calculation of operational risk resulting in an increase of EUR 2 billion;
- a net negative effect of -EUR 1 billion on changes in the prudential scope, resulting mostly from the sale of SREI (Leasing Solution) and Insigner de Beaufort (Wealth Management) and the acquisition of Sharekhan (Personal Investors);
- changes in method resulting in an increase in risk-weighted assets, mainly on credit risk (EUR 5 billion increase) and counterparty risk (EUR 1 billion increase), following the update of the rating model on corporates;
- the implementation of a securitisation programme generating a decrease of -EUR 3 billion in risk-weighted assets in other effects.

Currency effects were largely neutralised over the year with the appreciation of the US dollar and the depreciation of sterling and the Turkish lira.

Comments on the main changes in 2016 for each type of risk can be found in the various appropriate sections.

## RISK-WEIGHTED ASSETS – IMPACT OF TRANSITIONAL ARRANGEMENTS

The transitional arrangements applicable to the calculation of risk-weighted assets as of 31 December 2016 correspond to the portion of unrealised gains that are not included in the exposure value for equity risk since they are excluded from regulatory capital. At 31 December 2016, the Group's risk-weighted assets thus amounted to EUR 638.2 billion taking into account these transitional arrangements, and EUR 640.7 billion with full implementation of the Basel 3 Regulation.

### TABLE 14 : RISK-WEIGHTED ASSETS – TRANSITIONAL ARRANGEMENTS

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Phased-in | Transitional arrangements(*) | Phased-in | Transitional arrangements(*) |
| **TOTAL RISK-WEIGHTED ASSETS** | **638,207** | **(2,466)** | **629,626** | **(3,901)** |
| *of which equity risk* | *52,233* | *(2,466)* | *54,179* | *(3,901)* |

*(*) Amounts subject to pre-regulation treatment or prescribed residual amount of Regulation (EU) No. 575/2013.*

# 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, a process initiated in June 2012 by the European Union in response to the financial crisis in the euro zone.

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 IV, which also cover supervision;
- regulation on the additional supervision of financial conglomerates, due to its banking and insurance activities.

BNP Paribas' insurance business is governed by Solvency II insurance regulations as at 31 December 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 capital adequacy ratio (total capital) of at least 8% by 2019.

#### Additional Pillar 1 requirements known as buffers

In addition to the 4.5% minimum CET1 capital requirement (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 total risk exposure, by 2019. The aim of this buffer is to absorb losses in a situation of intense economic stress;
- the following buffers were defined to limit systemic risk:
  - the systemic risk buffer aims to limit systemic or macroprudential non-cyclical risks in the long term,
  - the systemically important institutions buffer aims to reduce the risk of failure of large banks by boosting their capital requirements. The buffer for domestic systemically important banks (D-SIBs) is 1.5% for BNP Paribas. The buffer for global systemically important banks (G-SIBs) is defined by the FSB according to the method developed by the Basel Committee, which evaluates the global systemic importance of banks. 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-SIB buffer to be taken into account in calculating the capital ratios in a progressive way over 3 years as from 2016.

    In April 2016, BNP Paribas published the G-SIBs indicators as at 31 December 2015. BNP Paribas took steps to reduce its systemic importance and improved its score calculated on the basis of indicators at 31 December 2015.

    Based on these indicators, the FSB published the list of systemically important banks for 2016 on 21 November 2016. BNP Paribas is classified in bucket 3 which requires additional Common Equity Tier 1 set at 2% when fully phased-in.

    The next update of the Group indicators is due for publication at the end of April 2017.

    As the highest of the three buffers, only the G-SIB buffer is a constraint for the Group;
- the countercyclical capital buffer is implemented in the event of excessive credit growth. This buffer is imposed at the discretion of a designated regulatory authority in a jurisdiction to all the Bank's exposures in that jurisdiction. In view of the buffer rates by country applicable on 31 December 2016, the BNP Paribas specific countercyclical capital buffer is not material (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 BNP Paribas Group, the ICAAP is based on two key principles: checking that the level of permanent capital is adequate with respect to internal capital requirements and capital planning.

Checking the adequacy of capital to meet internal requirements is done through 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.

This is performed taking into account a double constraint:

- the regulatory one, described in the CRD 4/CRR, according to which all Pillar 1 risks must be covered by regulatory capital;
- the internal one, in which Pillar 1 and Pillar 2 risks are assessed using 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 to assess the Bank's capacity to absorb shocks arising from crisis situations. The stress tests are jointly administered by the ECB and the EBA. The results of the stress test were included in the 2016 SREP.

On 29 July 2016 the European Banking Authority published the results of the EU-wide Stress Test. This exercise covered the 51 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*.

### *Notification of SREP results*

The results of the SREP process are notified annually to BNP Paribas's Executive Management by the ECB.

Following the notification by the ECB of the outcome of the 2015 annual SREP, the Group was required to have a common equity Tier 1 (CET1) capital ratio of 10% on a consolidated basis in 2016, including the G-SIB capital buffer of 0.5%. Pillar 2 only applied to the CET1 ratio for 2016, as confirmed by the ECB as part of the 2015 SREP.



## ➤ TABLE 15: 2016 OVERALL CET1 REQUIREMENT INCLUDING THE RESULTS OF 2015 SREP

| | 2016 |
|---|---|
| CET1 minimum requirement | 4.5% |
| Capital conservation buffer and Pillar 2(*) | 5.0% |
| **CET1 incl. SREP** | **9.5%** |
| G-SIBs buffer applicable to BNP Paribas | 0.5% |
| **TOTAL CET1** | **10.0%** |

*(*) In view of the ECB's decision to take full application into account as of 2016.*

## ➤ TABLE 16: 2016 OVERALL TIER 1 REQUIREMENT BASED ON 2015 SREP

| | 2016 |
|---|---|
| **Minimum requirement (Pillar 1)** | |
| Tier 1 (CET1 + AT1) | 6.0% |
| **Additional requirements(*)** | |
| Capital conservation buffer | 0.625% |
| G-SIBs buffer applicable to BNP Paribas | 0.5% |
| **TOTAL TIER 1** | **7.125%** |

*(*) The BNP Paribas specific countercyclical capital buffer is immaterial as at 31 December 2016 (see Appendix 4).*

### TABLE 17: 2016 OVERALL TOTAL CAPITAL REQUIREMENT BASED ON 2015 SREP

| | 2016 |
|---|---|
| **Minimum requirement (Pillar 1)** | |
| Total capital (Tier 1 + Tier 2) | 8.0% |
| **Additional requirements(*)** | |
| Capital conservation buffer | 0.625% |
| G-SIBs buffer applicable to BNP Paribas | 0.5% |
| **TOTAL CAPITAL** | **9.125%** |

*(*) The BNP Paribas specific countercyclical capital buffer is immaterial as at 31 December 2016 (see Appendix 4).*

In accordance with the EBA's announcement on 1 July 2016, the 2016 SREP decision has changed and comprises two factors: a requirement known as the "Pillar 2 requirement", or P2R, and a non-public "Pillar 2 guidance". As a result, following the ECB's notification of the outcome of the annual 2016 SREP, the phased-in common equity Tier 1 (CET1) capital requirement for the Group on a consolidated basis was set at 8% in 2017. Of this, 1.25% is to meet the "Pillar 2 requirement" and 1% is for the G-SIB buffer.

With the change in the 2016 SREP decision, the P2R requirement also applies to Tier 1 and Total capital.

Thus, the Group's 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 Tier 1 ratio and Total capital ratio, respectively, at all times, in accordance with article 92 (1) points 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 18: OVERALL EXPECTED CET1 REQUIREMENT INCLUDING THE RESULTS OF 2016 SREP – TRANSITIONAL ARRANGEMENTS IMPLEMENTATION

| | 2017 | 2018 | As from 2019 |
|---|---|---|---|
| CET1 minimum requirement | 4.5% | 4.5% | 4.5% |
| Pillar 2R(*) | 1.25% | 1.25% | 1.25% |
| Capital conservation buffer | 1.25% | 1.875% | 2.5% |
| **CET1 including 2016 SREP** | **7.0%** | **7.625%** | **8.25%** |
| G-SIBs buffer applicable to BNP Paribas | 1.0% | 1.5% | 2.0% |
| **TOTAL CET1(**)** | **8.0%** | **9.125%** | **10.25%** |

*(*) Only the "Pillar 2 requirement - P2R" of the 2016 SREP is made public.*
*(**) The countercyclical capital buffer ratio specific to BNP Paribas is immaterial as at 31 December 2016 (see Appendix 4).*

### TABLE 19: OVERALL EXPECTED TIER 1 REQUIREMENT INCLUDING THE RESULTS OF 2016 SREP – TRANSITIONAL ARRANGEMENTS IMPLEMENTATION

| | 2017 | 2018 | As from 2019 |
|---|---|---|---|
| **Minimum requirement (Pillar 1)** | | | |
| Tier 1 (CET1 + AT1) | 6.0% | 6.0% | 6.0% |
| **Additional requirements(*)** | | | |
| 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% | 2.0% |
| **TOTAL TIER 1** | **9.5%** | **10.625%** | **11.75%** |

*(*) The countercyclical capital buffer ratio specific to BNP Paribas is immaterial as at 31 December 2016 (see Appendix 4).*
*(**) Only the "Pillar 2 requirement - P2R" of the 2016 SREP is made public.*

## ➤ TABLE 20: OVERALL EXPECTED TOTAL CAPITAL REQUIREMENT INCLUDING THE RESULTS OF 2016 SREP – TRANSITIONAL ARRANGEMENTS IMPLEMENTATION

| | 2017 | 2018 | As from 2019 |
|---|---|---|---|
| **Minimum requirement (Pillar 1)** | | | |
| Tier 1 (CET1 + AT1) | 8.0% | 8.0% | 8.0% |
| **Additional requirements(*)** | | | |
| 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% | 2.0% |
| **TOTAL CAPITAL** | **11.5%** | **12.625%** | **13.75%** |

*(*) The countercyclical capital buffer ratio specific to BNP Paribas is immaterial as at 31 December 2016 (see Appendix 4).*
*(**) Only the "Pillar 2 requirement - P2R" of the 2016 SREP is made public.*

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*).

With a phased-in CET1 capital ratio of 11.6% as at 31 December 2016 (11.5% fully loaded CET1 ratio), BNP Paribas is well above the minimum requirement applicable for 2016. The expected Basel 3 fully loaded CET1 capital requirement is 10.25% in 2019 (excluding "Pillar 2 guidance"), in view of the gradual increase in the capital conservation buffer to 2.5% and an assumed 2% G-SIB buffer.

Compared to 31 December 2015, the fully loaded CET1 ratio was up 60 basis points as at 31 December 2016, due primarily to the appropriation to reserves of net income for the year after dividends.

Under its 2017-2020 development plan, the Group's objective is a CET1 ratio of 12% in 2020, at constant regulatory framework.

### Requirements applicable to the Insurance business

Since the 1 January 2016, BNP Paribas' insurance business is governed by Solvency II (Directive 2009/138/EC as transposed into French law). This new standard applies to all European insurance companies for the calculation of the coverage ratio.

The objective of Solvency II is:

- 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; and
- give more power to supervisory authorities.

Solvency II is divided into three pillars:

- Pillar 1: assess solvency using what is known as an economic capital-based approach;
- Pillar 2: introduce 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.

BNP Paribas Cardif complies with this new regulation in terms of its risk management, governance, calculation and reporting aspects.

### 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 2015 applicable in 2016, and on the basis of the solvency capital requirement (SCR) for the insurance sector, calculated in accordance with the Solvency II regulation.

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*(1) 8% in 2017.*

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 consists mainly in a weighting of 370% related to the risk of equity stakes.

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 2016, BNP Paribas Group, as a financial conglomerate, had capital of EUR 97.5 million compared to a total requirement of EUR 64 million, which represents a capital surplus of EUR 33.5 million.

## RECOVERY AND RESOLUTION

### Recovery Plan

BNP Paribas submitted its updated 2016 Recovery Plan to the ECB in September 2016. This plan is prepared at Group level and outlines 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 operation, resilience and capacity to absorb losses. 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 for review. The committee approved the main lines of the plan during its meeting of 13 September 2016. The committee Chairman subsequently presented this work at the Board of Directors' meeting of 21 September 2016. At this meeting, the Board of Directors approved the Recovery Plan.

The new version of the Plan has been revised to include updated figures, changes in the Group's organisation and activities and developments in European regulations. It has been expanded and some analysis deepened compared to the 2015 Plan, in response to comments by the ECB and the Resolution College's participating authorities.

This Resolution College, organised under the auspices of the ECB, comprises the authorities in the member countries of the European Union in which BNP Paribas has a presence, as well as the European Banking Authority. It met in June 2016, and its comments on the 2015 Plan were communicated to BNP Paribas by the ECB.

### Resolution documentation

In December 2016, 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.

During 2016, the Bank also provided to the ACPR and the SRB the declaration documents requested by these authorities, 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 first-half 2016, 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.

On 1 December 2016, the Crisis Management Group and the Resolution College, which is made up of the bank resolution authorities in the EU member states in which BNP Paribas operates, held a series of meetings.

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 2017.

### 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, BRRD, SRMR) announced on 23 November 2016 and which will be subject to parliamentary work during 2017;
- the creation, following the transposition of the BRRD, of European Resolution Colleges, bringing together numerous authorities from European countries, for which relations with the existing CMGs still need to be defined;
- statutory amendments to the bank insolvency hierarchy voted on or announced in some countries in Europe (France, Germany and Italy, and included in the European initiative announced on 23 November 2016);
- the upcoming MREL (Minimum Requirement for Eligible Liabilities), which was the subject of a consultation launched by the European Banking Authority and a European Commission delegated act. The Single Resolution Board started discussions with the banks on indicative and informative objectives in 2016. Their maturity and composition (in terms of debt quality) will be finalised at a later date in discussions with banks and in light of the regulatory developments proposed by the European Commission on 23 November 2016;
- the work of the Financial Stability Board on TLAC (Total Loss Absorbing Capacity), which resulted in the publication of recommendations in November 2015, applicable to Global Systemically Important Banks (G-SIB) from 2019. The Financial Stability Board continues its work on the internal TLAC that will apply to banking groups;
- the European Commission's proposals, including measures to harmonise TLAC and MREL standards;
- the set-up of a Single Resolution Fund financed by contributions from the euro zone banks;
- discussions focused on the creation of a European Deposit Insurance Scheme (EDIS).

## 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' 2% G-SIB buffer. The overall TLAC ratio requirement, including buffers, is thus 20.5% and 22.5% 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 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*.

## LEVERAGE RATIO

The Basel 3/CRD IV 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 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%. The European Commission is awaiting the results of international discussions on possible additional requirements for G-SIBs before considering including them in the new regulations.

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 qualitative elements (LRQua) requested by the Implementing Regulation (EU) No. 2016/200 of 15 February 2016 are as follows:

### Description of the processes used to manage the risk of excessive leverage

Quarterly monitoring of the leverage ratio is one of the responsibilities of the Capital Committee (as described in the section on capital management below).

### Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers

The leverage ratio was 4.4% as of 31 December 2016, compared with 4% as of 31 December 2015. The variation was attributable mainly 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 21: LEVERAGE RATIO – ITEMISED

**➤ *Summary reconciliation of accounting assets and leverage ratio exposures (LRSum)***

| | *In billions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| 1 | Total assets as per published financial statements | 2,077 | 1,994 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | (199) | (186) |
| 4 | Adjustments for derivative financial instruments | (149) | (105) |
| 5 | Adjustment for securities financing transactions (SFTs) | 2 | 3 |
| 6 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 157 | 155 |
| 7 | Other adjustments | (28) | (25) |
| **8** | **LEVERAGE RATIO TOTAL EXPOSURE MEASURE** | **1,860** | **1,836** |

### Leverage ratio common disclosure (LRCom)

| | *In billions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| | **On-balance sheet exposures (excluding derivatives and SFTs)** | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 1,360 | 1,302 |
| 2 | (Asset amounts deducted in determining Tier 1 capital) | (18) | (19) |
| **3** | **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)** | **1,342** | **1,283** |
| | **Derivative exposures** | | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 50 | 51 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method) | 158 | 201 |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | (33) | (38) |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | (9) | - |
| 9 | Adjusted effective notional amount of written credit derivatives | 482 | 555 |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | (452) | (520) |
| **11** | **Total derivatives exposures (sum of lines 4 to 10)** | **197** | **250** |
| | **SFT exposures** | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 284 | 267 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | (124) | (122) |
| 14 | Counterparty credit risk exposure for SFT assets | 4 | 3 |
| **16** | **Total securities financing transaction exposures (sum of lines 12 to 14)** | **164** | **148** |
| | **Other off-balance sheet exposures** | | |
| 17 | Off-balance sheet exposures at gross notional amount | 380 | 366 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (223) | (211) |
| **19** | **Other off-balance sheet exposures (sum of lines 17 and 18)** | **157** | **155** |
| | **Capital and total exposure measure** | | |
| **20** | **Tier 1 capital(*)** | **81** | **74** |
| **21** | **Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19)** | **1,860** | **1,836** |
| **22** | **LEVERAGE RATIO** | **4.4%** | **4.0%** |
| | **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(*) |

(*) *In accordance with the eligibility rules for grandfathered debts in additional Tier 1 capital applicable in 2019.*

➤ *Breakdown of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (LRSpl)*

| | *In billions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| **EU-1** | **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:** | **1,342** | **1,283** |
| EU-2 | Trading book exposures | 126 | 137 |
| EU-3 | Banking book exposures, of which: | 1,217 | 1,146 |
| EU-5 | Exposures treated as sovereigns | 324 | 317 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns | 28 | 26 |
| EU-7 | Institutions | 58 | 73 |
| EU-8 | Secured by mortgages of immovable properties | 182 | 180 |
| EU-9 | Retail exposures | 194 | 174 |
| EU-10 | Corporate | 322 | 316 |
| EU-11 | Exposures in default | 20 | 20 |
| EU-12 | Other exposures (e.g. equity, securitisations, and other non-credit obligation assets) | 89 | 40 |

# 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 on a quarterly basis 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 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 the way of achieving them, ensure that it stays on track, and propose corrective measures if required.

  The 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 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 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 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

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 the trajectory towards these objectives, 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 model, the Capital Committee is informed of decisions made in the Rating System Steering Committee, conducts an annual review of backtesting results and is presented with a summary of the results of the independent review of the Bank's models;
- 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.

Besides, among the specialised committees of the Board of Directors, the Internal Control, Risk Management and Compliance Committee (CCIRC) is focused on reviewing the risks taken and the risk policies at Group level.

The Joint Committee combines the Committee for Internal Control, Risk management and Compliance (CCIRC) and the Financial Statements Committee.

Moreover, two Executive Management Committees, the Group Supervision and Control Committee (GSCC) and the Group Internal Control Committee (GICC), bring together the Group's functions at Executive Management level and take 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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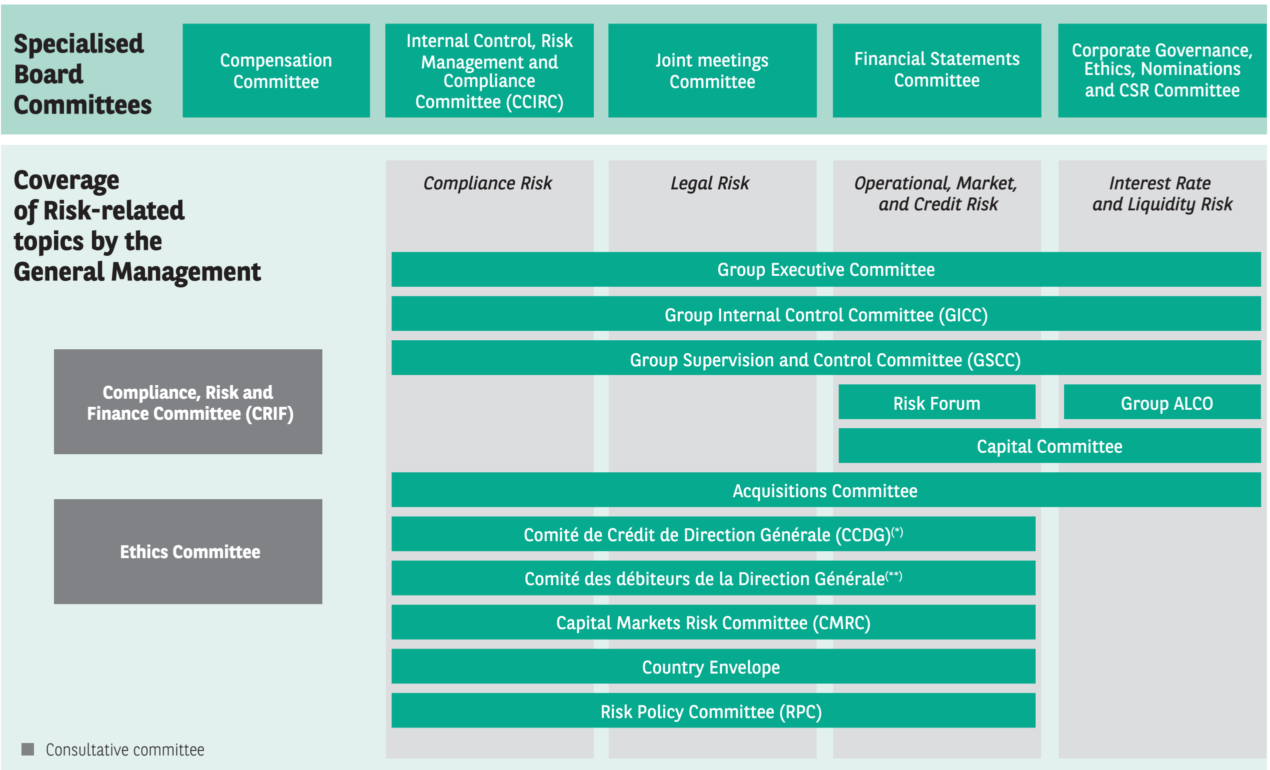
**FIGURE 3: OVERVIEW OF GROUP LEVEL GOVERNING BODIES COVERING RISK-RELATED TOPICS**




(*) *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 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.

# RISK MANAGEMENT ORGANISATION

## POSITION OF THE RISK AND COMPLIANCE FUNCTIONS

Risk management is central to the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this matter. The entire process is supervised by a dedicated function, Risk, which is responsible for measuring and controlling risks at Group level. Risk is independent from the operating divisions, business lines and territories and reports directly to Group Executive Management. The Compliance Function monitors all compliance risks, according to the same principle of independence and also reports directly to Group Executive Management. In 2014, the Group took steps to strengthen its control functions. These initiatives include the vertical integration of Compliance to ensure its independence and resource autonomy. As a result of these initiatives, the Risk and Compliance Functions (as well as General Inspection and Legal) have comparable organisational structures. All teams working in these areas report directly to these Functions, independently from individual business lines and geographical locations.

The Operational Risk Monitoring and Management Function was transferred from Compliance to Risk in 2015.

Risk and Compliance perform continuous, generally ex-ante controls that are fundamentally different from the periodic, ex-post controls performed by internal audit.

## 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 laid down by the Group's Management for its control functions. Thus:

- 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, the Group strengthened the governance of its risk management framework with this organisation, especially as regards model risk management by creating Risk Independent Review and Control (Risk IRC), directly reporting into the Chief Risk Officer (CRO) which gathers into one group the teams in charge of the independent review of the risk methodologies and models.

In 2016, Risk established a new organisation to manage operational risk, described in section 5.9 *Operational, compliance and reputation risks*.

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 Compliance Function reports to the Chief Executive Officer and has direct, independent access to the Board's Internal Control, Risk and Compliance Committee. 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 culture.

Executive Management has chosen to include the risk culture in four 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, 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;
- Management Principles:

  Among the Group's key management principles is "Risk-aware entrepreneurship", which highlights the importance of the Group's risk culture. This principle focuses on the need for staff to be constantly vigilant about the risks within their area of responsibility, to be accountable and to act in an interdependent and cooperative way with other Group entities in the interests of the Group and its clients;
- "BNP Paribas Way":

  In 2015, the Group identified eight core values which are strengths and driving forces to drive BNP Paribas forward and form the BNP Paribas Way. Key aspects of the Group's overall risk culture are embodied in some of these values, such as the compliance culture, responsibility and stability.

### 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 to help strengthen the distribution of its risk-management culture.

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The Risk Academy is an open and Group-wide initiative. 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;
- to encourage the exchange of information and knowledge sharing in risk communities and by sharing best practices.

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 in 2015 and 2016 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, and Group ALCo), 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 are intended to remain stable over time.

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;
- 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;
- 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 (see chapter 7 A responsible 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 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

Stress testing forms an integral part of the risk management system and is used in three main areas: forward-looking risk management, capital planning, and regulatory requirements, mainly through the Group's and its main entities' ICAAP.

#### 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 51 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 51 European banks tested.
- Internal stress tests:
  - stress tests dedicated to risk anticipation: they contribute to the forward-looking management of credit, market, counterparty and liquidity risks. The results of the stress tests carried out using a top-down approach are used to assess the Bank's risk appetite and are periodically submitted to Group Executive Management, including the Board's Internal Control, Risk Management and Compliance Committee (CCIRC) through the quarterly Group risk dashboard. They also contribute to the Group's risk appetite framework. Moreover, *ad hoc* stress testing is performed, when appropriate, within Risk Policy Committees or Country Strategic Committees so as 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 (or four-year planning for the 2020 plan). Stress tests are carried out annually as part of the budget process and are included in the ICAAP. They are reviewed at divisional and business line level before being consolidated at Group level to provide a synthetic 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.), risk-weighted assets, and capital.

  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 responsibilities clearly shared between operational entities – to encourage operational integration and relevance – and Finance, Risk and ALM-Treasury Departments, which ensure overall consistency.

Stress testing methodologies are tailored to the main categories of risk and subject to independent review.

Stress testing 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 testing, whether in terms of methodologies or improved operational integration in the Group's management processes. The stress-testing 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(s) and adverse scenario(s). 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. In order to build the baseline scenario, the economist has to answer the following question: in light of the economic and financial environment and taking in account the policy decisions (from a monetary, budgetary, fiscal or other standpoint), how will macroeconomic and financial variables evolve in the future?

The baseline scenario is designed by the Group Economic Research team, together with ALM-Treasury and Equity and Commodity experts. The baseline scenario is the BNP Paribas Group scenario at one point. As it is usually done, 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 versus a central scenario.

In order to build the adverse scenario, the economist has to answer the following question: if such an event occurred, how would the macroeconomic and financial variables evolve in the future? The shock(s) is (are) translated in the set of macroeconomic and macrofinancial variables listed above as deviations from their value in the central scenario. Adverse scenarios do not reflect the most likely way we expect the economy to evolve. This is the reason why baseline scenarios are defined as sets of "forecasts" and adverse scenarios as sets of "projections".

### Construction of scenarios

Adverse scenarios used in internal stress tests dedicated to forward-looking risk management and budget process are designed by the same contributors from Risk teams according to the same principles. This warrants the convergence of two major processes of the Group, *i.e.* risk management and financial management.

The adverse scenarios are reviewed on a quarterly basis by Risk management, since stress testing is used in risk monitoring.

They are also approved – together with the baseline scenario – by Executive Management and the Internal Control, Risk Management and Compliance Committee (CCIRC) in June and September as part of the Group's budget process. During the two other quarterly exercises (in March and December), if the adverse scenario is substantially different (and deemed material for the Group), either because of a change in the baseline scenario or a recalibration of a particular shock under consideration, they are submitted to the Group Executive Committee for approval.

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 Risk teams. 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.

## EXPOSURE TO CREDIT RISK [Audited]

The following table shows all of BNP Paribas Group's financial assets on the balance sheet (mostly loans and advances and fixed-income securities), as well as off-balance sheet transactions (collateral and guarantees given by the Group), which are exposed to credit risk. The exposures of the banking book securitisation, derivatives and repurchase agreements exposed to counterparty risk are excluded from this section and presented in section 5.5 and 5.6, respectively.

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*).

### ➤ TABLE 22: CREDIT RISK EXPOSURE BY ASSET CLASS AND APPROACH

| Exposure *In millions of euros* | 31 December 2016 | | | 31 December 2015 | | | Variation |
|---|---|---|---|---|---|---|---|
| | IRB approach | Standardised approach | Total | IRB approach | Standardised approach | Total | Total |
| Central governments and central banks | 284,817 | 37,154 | 321,972 | 273,203 | 36,129 | 309,332 | 12,640 |
| Corporates | 487,787 | 133,743 | 621,530 | 465,838 | 134,361 | 600,199 | 21,331 |
| Institutions(*) | 51,699 | 16,132 | 67,831 | 68,447 | 19,668 | 88,114 | (20,284) |
| Retail | 257,669 | 169,433 | 427,101 | 243,394 | 157,229 | 400,623 | 26,478 |
| Other non credit-obligation assets(**) | 352 | 119,752 | 120,104 | 329 | 113,428 | 113,758 | 6,346 |
| **TOTAL** | **1,082,324** | **476,213** | **1,558,537** | **1,051,211** | **460,814** | **1,512,026** | **46,512** |

(*) *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.*

Exposure related to loan acquisitions on the secondary market in 2016 only accounts for a marginal amount.

### CREDIT RISK EXPOSURES RECONCILIATION WITH PRUDENTIAL BALANCE SHEET

Credit risk exposure is related to the following prudential balance sheet items as at 31 December 2016 (section 5.2, Table 6): cash and amounts due from central banks (EUR 161 billion), loans and receivables due from customers (EUR 718 billion), loans and receivables due from credit institutions (EUR 43 billion), fixed income available-for-sale financial assets (EUR 149 billion), held-to-maturity financial assets (EUR 0.6 billion), instruments designated as at fair value through profit or loss (EUR 1.4 billion), property, plant & equipment and investment property (EUR 23 billion), accrued income and other assets (EUR 110 billion), and current and deferred tax assets (EUR 8 billion), plus financing and guarantee commitments given (EUR 416 billion).

These amounts do not take into account impairment, as well as assets subject to other risk than credit risk (securitisation, counterparty and market) and other items deducted from own funds (EUR 72 billion).

In the following, references to credit risk exposure do not include other non credit-obligation assets (tangible assets, accrued income and residual values).

## TREND IN CREDIT RISK EXPOSURE

The increase in credit risk exposure (excluding Other non credit-obligation assets), totalling EUR 40 billion in 2016, is due specifically to the Bank's usual business activity. Currency effects have little influence on the change in exposure, because they balance each other out between currencies, with the US dollar's appreciation and the British pound's and Turkish lira's depreciation. The changes by asset class, discussed hereafter, are exclusive of currency impact.

- the main factors accounting for the EUR 13 billion increase in exposures to central governments and central banks are the large volumes of liquidity placed in the European Central Banks;
- the 21 billion euro increase in corporate exposures is shared by France (+EUR 5 billion, of which EUR 2 billion on SMEs and EUR 2 billion on large corporations), Asia (+EUR 4 billion mainly on specialised financing), Luxembourg (+EUR 2 billion), Italy (+EUR 2 billion);
- the EUR 20 billion decrease in exposures on institutions is spread mainly across the following geographical areas: Europe (-EUR 13 billion), United States (-EUR 3 billion), and North Asia (-EUR 2 billion);
- the EUR 26 billion increase in retail exposures stems from higher mortgage lending activity in the United States, Belgium, France and the United Kingdom, and the development of partnerships in Personal Finance.

SME exposures broken down between corporate and retail customers amounted to EUR 123.4 billion at 31 December 2016, an increase of 8% compared with 31 December 2015.

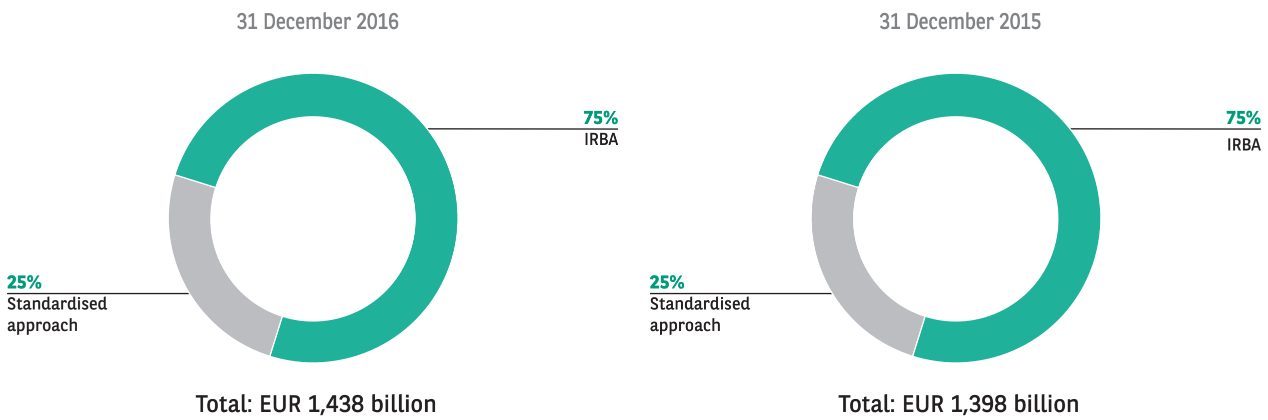
## APPROACHES USED TO CALCULATE CAPITAL REQUIREMENTS

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 (excluding accrued income and tangible assets), the share of exposures under the IRBA approach is 75% as at 31 December 2016, stable compared to 31 December 2015. 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.



### FIGURE 4: CREDIT RISK EXPOSURE(*) BY APPROACH




*(*) Excluding other non credit-obligation assets.*

# CREDIT RISK MANAGEMENT POLICY [Audited]

## CREDIT POLICIES, AND CONTROL AND PROVISIONING PROCEDURES

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. Beyond the sectoral policy system described in section 7.2 of chapter 7 in the section *Commitment 3* which applies to segments exposed to these risks, and is part of the existing management system for these risks, the Group announced in November 2015 that it was going to incorporate the climate component into the methods for rating the projects and businesses it finances. Thus, the Group will gradually systematize the use of an internal carbon audit in order to take into account the changes brought about by energy transition and the related risks in its financing decisions.

## 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 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 representatives of Executive Management. 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 up to the General Management Doubtful Committee, under the supervision of Risk. 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. Quarterly reports are drawn up on country envelope limits and their utilisation.
- The Group closely monitors individual concentrations, in particular on business groups or countries. The largest exposures to groups of corporate clients, sovereign debt and financial institutions 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. For instance, the shipping financing sector was reviewed during the third quarter of 2016 (see the section *Industry diversification* in section 5.4).

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 or credit derivatives, 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*).

## 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, drawing on the combined expertise of business line staff and, as a second pair of eyes, the Risk representatives (who have the final say in case of disagreement). High quality tools have been developed to support the rating process, 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 23: 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 applicable to 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 stands at EUR 1,438 billion at 31 December 2016, compared with EUR 1,398 billion at 31 December 2015. This portfolio, which is analysed below in terms of its diversification, comprises all exposures to credit risk shown in table 22 *Credit risk exposure by asset class and approach*, excluding other non-credit-obligation assets[1]. A dedicated section (section 5.5) describes banking book securitisation exposures.

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 below.

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.

## 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 below is based on the country where the counterparty conducts its principal business activities, without taking into account the location of its head office. Accordingly, a French company's exposure arising from a subsidiary or branch located in the United Kingdom is classified in the United Kingdom.

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(1) *The scope covered includes loans and receivables due from customers, amounts due from credit institutions and central banks, the Group's credit accounts with other credit institutions and central banks, financing and guarantee commitments given (excluding repos) and fixed-income securities in the banking book.*

## TABLE 24: CREDIT RISK EXPOSURE BY GEOGRAPHICAL REGION

| Exposure *In millions of euros* | 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Central governments and central banks | Corporates | Institutions | Retail | Total | % |
| **Europe[(*)]** | **224,523** | **384,238** | **41,123** | **359,548** | **1,009,432** | **70%** |
| France | 105,355 | 122,561 | 11,284 | 152,569 | 391,769 | 27% |
| Belgium | 27,699 | 58,632 | 7,947 | 74,288 | 168,566 | 12% |
| Luxembourg | 17,948 | 13,919 | 690 | 5,587 | 38,144 | 3% |
| Italy | 16,653 | 61,826 | 6,594 | 62,727 | 147,800 | 10% |
| United Kingdom | 7,672 | 34,309 | 3,011 | 8,442 | 53,433 | 4% |
| Germany | 12,469 | 19,161 | 3,171 | 16,884 | 51,684 | 4% |
| Netherlands | 14,042 | 18,134 | 2,138 | 9,329 | 43,643 | 3% |
| Other European countries | 22,685 | 55,696 | 6,289 | 29,723 | 114,392 | 8% |
| **North America** | **39,387** | **127,545** | **10,714** | **42,624** | **220,269** | **15%** |
| **Asia Pacific** | **44,586** | **53,267** | **9,860** | **167** | **107,880** | **7%** |
| Japan | 31,298 | 2,509 | 1,251 | 6 | 35,064 | 2% |
| North Asia | 5,674 | 26,123 | 5,109 | 44 | 36,950 | 3% |
| South East Asia (ASEAN) | 3,180 | 13,090 | 1,228 | 106 | 17,605 | 1% |
| Indian peninsula & Pacific | 4,434 | 11,546 | 2,271 | 11 | 18,261 | 1% |
| **Rest of the World** | **13,476** | **56,480** | **6,134** | **24,762** | **100,852** | **7%** |
| Turkey | 4,225 | 11,668 | 1,733 | 15,528 | 33,154 | 2% |
| Mediterranean | 2,063 | 9,122 | 1,264 | 2,588 | 15,037 | 1% |
| Gulf States & Africa | 3,459 | 19,269 | 1,829 | 1,777 | 26,335 | 2% |
| Latin America | 3,089 | 11,835 | 1,036 | 3,954 | 19,913 | 1% |
| Other countries | 641 | 4,587 | 272 | 914 | 6,414 | 0% |
| **TOTAL** | **321,972** | **621,530** | **67,831** | **427,101** | **1,438,434** | **100%** |

*(*) Within the European Free Trade Association, EFTA.*

| Exposure *In millions of euros* | 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Central governments and central banks | Corporates | Institutions | Retail | Total | % |
| **Europe(*)** | **197,036** | **373,699** | **55,311** | **342,208** | **968,254** | **69%** |
| France | 71,858 | 117,522 | 12,390 | 148,763 | 350,533 | 25% |
| Belgium | 29,819 | 59,756 | 7,860 | 70,725 | 168,159 | 12% |
| Luxembourg | 11,666 | 11,870 | 376 | 6,198 | 30,109 | 2% |
| Italy | 14,369 | 59,951 | 8,780 | 58,534 | 141,634 | 10% |
| United Kingdom | 28,563 | 34,939 | 10,346 | 6,425 | 80,273 | 6% |
| Germany | 11,338 | 18,002 | 6,162 | 13,994 | 49,495 | 4% |
| Netherlands | 7,995 | 16,964 | 2,210 | 9,957 | 37,125 | 3% |
| Other European countries | 21,429 | 54,696 | 7,187 | 27,613 | 110,925 | 8% |
| **North America** | **46,760** | **126,437** | **12,844** | **32,996** | **219,038** | **16%** |
| **Asia Pacific** | **50,765** | **45,037** | **11,799** | **562** | **108,163** | **8%** |
| Japan | 36,371 | 2,338 | 1,042 | 0 | 39,752 | 3% |
| North Asia | 5,979 | 20,478 | 7,190 | 8 | 33,654 | 2% |
| South East Asia (ASEAN) | 3,673 | 11,285 | 893 | 0 | 15,851 | 1% |
| Indian peninsula & Pacific | 4,742 | 10,936 | 2,674 | 554 | 18,905 | 1% |
| **Rest of the World** | **14,770** | **55,025** | **8,161** | **24,857** | **102,813** | **7%** |
| Turkey | 5,130 | 11,650 | 2,488 | 17,510 | 36,777 | 3% |
| Mediterranean | 2,287 | 8,236 | 1,058 | 2,568 | 14,150 | 1% |
| Gulf States & Africa | 3,253 | 18,142 | 1,830 | 1,289 | 24,514 | 2% |
| Latin America | 3,353 | 11,922 | 2,311 | 2,607 | 20,193 | 1% |
| Other countries | 746 | 5,076 | 474 | 883 | 7,179 | 1% |
| **TOTAL** | **309,332** | **600,199** | **88,114** | **400,623** | **1,398,268** | **100%** |

(*) *Within the European Free Trade Association, EFTA.*

The geographic breakdown of the portfolios is balanced. In 2016, the Group was particularly attentive to geopolitical risks and the economic performance of emerging countries (see section *Areas of special interest in 2016* in section 1).

## INDUSTRY DIVERSIFICATION

### ➤ TABLE 25: CREDIT RISK EXPOSURE BY INDUSTRY – CORPORATE ASSET CLASS

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *In millions of euros* | Exposure | % | Exposure | % |
| Agriculture, Food, Tobacco | 34,754 | 6% | 37,062 | 6% |
| Insurance | 12,229 | 2% | 12,366 | 2% |
| Chemicals excluding Pharmaceuticals | 15,287 | 2% | 12,402 | 2% |
| Building & Public works | 29,082 | 5% | 29,753 | 5% |
| Retail trade | 29,041 | 5% | 26,444 | 4% |
| Energy excluding Electricity | 30,403 | 5% | 32,540 | 5% |
| Equipment excluding IT Electronic | 40,224 | 6% | 38,167 | 6% |
| Finance | 38,344 | 6% | 37,468 | 6% |
| Real estate | 64,878 | 10% | 57,758 | 10% |
| Information technologies | 17,572 | 3% | 17,590 | 3% |
| Minerals, metals & materials (including cement, packaging, etc.) | 30,066 | 5% | 29,988 | 5% |
| Wholesale trade | 49,291 | 8% | 46,056 | 8% |
| Healthcare & Pharmaceuticals | 15,525 | 2% | 14,473 | 2% |
| Services to public authorities (electricity, gas, water, etc.) | 33,920 | 5% | 32,696 | 5% |
| Business services | 55,363 | 9% | 54,148 | 9% |
| Communication services | 17,369 | 3% | 18,131 | 3% |
| Transportation & Storage | 44,209 | 7% | 40,571 | 7% |
| Other | 63,972 | 10% | 62,586 | 10% |
| **TOTAL** | **621,530** | **100%** | **600,199** | **100%** |

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 4.2% of total lending in 2016. The most sensitive sectors are regularly reviewed in dedicated committees:

- Monitoring of energy and commodity sectors:

  Oil and non-precious metal prices have been falling since 2010-2011, with the price of oil reaching a low of less than USD 30 in January 2016.

  According to different empirical economic studies, the glut of oil on the market was considered as the main factor driving down prices. After the agreement reached in November 2016 by OPEC members and several other major producers to limit supply, oil prices began to rise. For 2017, the IMF is forecasting that oil prices will strengthen.

  Weak global demand for gold and base metals, particularly from China, on the other hand, is largely responsible for the contraction in these prices (against a backdrop of overcapacity in the global market). In 2016, given the vigour of infrastructure and real estate investment in China, as well as the expectations of an easing in fiscal policy in the United States, base metal prices increased.

  After the exhaustive internal portfolio review conducted within the Group in 2016, amid steep declines in oil prices, which confirmed the good quality and diversification of the portfolios, the sectors affected by oil and commodity prices have continued to be regularly monitored.

- Oil & Gas sector:

  BNP Paribas' exposure to this sector is diversified. It ranges across the entire oil industry value chain, and concerns benchmark players in the field (oil majors and national oil companies) in many countries. As a reminder, BNP Paribas sold its Reserve Based Lending business in this sector in the US in 2012.

  Oil-sensitive portfolio gross exposure to lower oil prices amounted to EUR 32.9 billion at 31 December 2016 (only 2.3% of total Group gross commitments on and off balance sheet), of which 56% concerns the majors (29%) and national oil companies (27%). The exploration and production sub-segments account for 24% and oil industry services 17%. Moreover, 55% of this exposure concerns off-balance sheet commitments. Guarantees increased by EUR 5 billion. Exposure net of collateral and provisions decreased to EUR 18.7 billion.

  61% of the counterparties are rated Investment Grade[(1)], and commitments with non-Investment Grade[(1)] counterparties are backed by good collateral. Furthermore, maturities are short, averaging less than two years. Doubtful assets only accounted for 6% of the portfolio at 31 December 2016.

*(1) External rating or equivalent internal rating.*

- Metals & Mining sector:

  Gross exposure of the Metals & Mining sector amounted to EUR 14.2 billion at 31 December 2016 (less than 1% of total Group gross commitments on and off balance sheet), of which 51% are off-balance sheet commitments. Guarantees increased by EUR 0.9 billion. The exposure, net of guarantees and provisions, is EUR 8 billion. Since each metal has its own price momentum, developments differ between and within segments and from one company to another.

  This sector covers a diversified array of companies which can be divided into three major segments:

  - companies in the steel sector (31% of gross exposure to the Metals & Mining sector);
  - specialised companies: aluminium (10%), base metals (7%), precious metals (8%), coal and iron ore (8%);
  - diversified companies (37% of gross exposure to the Metals & Mining sector).

The Group's portfolio is considered to be well diversified. More than 50% of commitments concern counterparties rated as Investment Grade[(1)]. Maturities are short, averaging less than two years, and only 6% of the assets are classed as doubtful. Finally, the rise in commodity prices in 2016 is a positive factor.

- Shipping sector:

  The Shipping sector covers a set of sub-segments with very different evolutions: bulk, oil tankers, container carriers, oil services, and cruise. In 2016, amid falling oil prices and a drop in vessel traffic, three of these sub-sectors (bulk, container carriers, and oil services) were more specifically impacted.

  A specific review of this sector was conducted in the third quarter of 2016. Gross exposure to the Shipping sector amounted to EUR 17.5 billion at 30 June 2016, *i.e.* 1.3% of total Group gross commitments on and off balance sheet (EUR 1,383 billion at 30 June 2016). This exposure is carried in particular by CIB (87%) and Domestic Markets (7%) with a high client diversification by country. The Group has no exposure on specialised German funds. Within CIB, 80% of authorisations are collateralised, and doubtful loans amount to 2.3% of outstandings.

## RISK-WEIGHTED ASSETS

### ➤ TABLE 26: CREDIT RISK-WEIGHTED ASSETS

| **RWAs** *In millions of euros* | **31 December 2016** | **31 December 2015** | **Variation** |
|---|---|---|---|
| **Credit risk - IRBA approach** | **238,693** | **228,740** | **9,953** |
| Central governments and central banks | 4,581 | 4,091 | 490 |
| Corporates | 171,436 | 163,149 | 8,286 |
| Institutions | 9,182 | 9,832 | (650) |
| Retail | 53,341 | 51,532 | 1,809 |
| *Real estate loans* | *20,918* | *20,315* | *603* |
| *Revolving exposures* | *4,867* | *5,229* | *(362)* |
| *Other exposures* | *27,556* | *25,988* | *1,568* |
| Other non credit-obligation assets | 153 | 136 | 17 |
| **Credit risk - Standardised approach** | **219,594** | **220,542** | **(948)** |
| Central governments and central banks | 4,413 | 5,196 | (783) |
| Corporates | 90,259 | 94,523 | (4,264) |
| Institutions | 5,169 | 6,280 | (1,111) |
| Retail | 80,140 | 74,908 | 5,232 |
| *Real estate loans* | *19,516* | *18,611* | *904* |
| *Revolving exposures* | *2,209* | *2,137* | *72* |
| *Other exposures* | *58,416* | *54,160* | *4,256* |
| Other non credit-obligation assets | 39,613 | 39,636 | (23) |
| **CREDIT RISK** | **458,287** | **449,282** | **9,005** |

(1) *External rating or equivalent internal rating.*

## TABLE 27: CREDIT RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER

| RWAs *In millions of euros* | 31 December 2015 | Currency | Volume | Parameters | Perimeter | Method | Other (Key driver) | Total variation | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|
| Credit risk | 449,282 | 292 | 23,315 | (13,767) | (1,562) | 4,627 | (3,901) | 9,005 | 458,287 |
| *of which IRB approach* | *228,740* | *1,387* | *15,894* | *(8,165)* | *300* | *4,657* | *(4,120)* | *9,953* | *238,693* |

Credit risk-weighted assets rose by EUR 9 billion in 2016. The volume effect was a positive EUR 23 billion, in line with business activity, of which EUR 16 billion for entities operating under the IRBA approach. The parameter effect resulted from the improvement in risk parameters in International Retail Banking, BNL bc and a maturity effect, mainly on the Corporate Banking portfolio. The negative -EUR 2 billion scope effect was attributable mostly to the sale of SREI and Insinger de Beaufort. Changes in methodology resulted in a EUR 5 billion increase in risk-weighted assets, notably with the update of the corporate rating model. Other effects include a -EUR 3 billion decrease in risk-weighted assets following the implementation of a securitisation programme. Currency effects were largely neutralised over the year with the appreciation of the US dollar and the depreciation of sterling and the Turkish lira.

## TABLE 28: CREDIT RISK-WEIGHTED ASSETS BY GEOGRAPHICAL REGION

| RWAs *In millions of euros* | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Central governments and central banks | Corporates | Institutions | Retail | Other non credit-obligation assets | Total | % |
| **Europe(*)** | **2,387** | **161,388** | **7,604** | **100,364** | **31,069** | **302,812** | **66%** |
| France | 244 | 61,209 | 1,884 | 33,589 | 9,606 | 106,531 | 23% |
| Belgium | 57 | 19,965 | 943 | 14,356 | 7,726 | 43,047 | 9% |
| Luxembourg | 138 | 5,693 | 32 | 1,084 | 863 | 7,810 | 2% |
| Italy | 91 | 29,841 | 2,168 | 25,576 | 7,429 | 65,105 | 14% |
| United Kingdom | 17 | 10,896 | 582 | 3,661 | 1,852 | 17,007 | 4% |
| Germany | 60 | 6,895 | 425 | 7,130 | 940 | 15,449 | 3% |
| Netherlands | 13 | 6,542 | 331 | 2,485 | 243 | 9,613 | 2% |
| Other European countries | 1,767 | 20,349 | 1,240 | 12,483 | 2,411 | 38,249 | 8% |
| **North America** | **43** | **53,838** | **1,433** | **20,501** | **5,137** | **80,951** | **18%** |
| **Asia Pacific** | **999** | **18,913** | **2,647** | **60** | **1,386** | **24,005** | **5%** |
| Japan | 231 | 662 | 127 | 1 | 202 | 1,223 | 0% |
| North Asia | 10 | 9,086 | 737 | 9 | 461 | 10,303 | 2% |
| South East Asia (ASEAN) | 282 | 4,696 | 797 | 47 | 230 | 6,052 | 1% |
| Indian peninsula & Pacific | 477 | 4,470 | 986 | 2 | 493 | 6,428 | 1% |
| **Rest of the World** | **5,564** | **27,555** | **2,667** | **12,557** | **2,174** | **50,518** | **11%** |
| Turkey | 2,526 | 7,736 | 629 | 7,799 | 693 | 19,381 | 4% |
| Mediterranean | 1,189 | 5,882 | 739 | 1,241 | 426 | 9,477 | 2% |
| Gulf States & Africa | 626 | 6,838 | 614 | 796 | 223 | 9,098 | 2% |
| Latin America | 841 | 5,185 | 498 | 2,285 | 683 | 9,491 | 2% |
| Other countries | 382 | 1,916 | 187 | 436 | 149 | 3,070 | 1% |
| **TOTAL** | **8,994** | **261,695** | **14,351** | **133,481** | **39,766** | **458,287** | **100%** |

(*) *Within the European Free Trade Association, EFTA.*



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| RWAs *In millions of euros* | 31 December 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Central governments and central banks | Corporates | Institutions | Retail | Other non credit-obligation assets | Total | % |
| **Europe(*)** | **2,528** | **159,907** | **9,263** | **97,324** | **31,987** | **301,010** | **67%** |
| France | 230 | 57,995 | 1,843 | 35,118 | 10,127 | 105,313 | 23% |
| Belgium | 60 | 17,344 | 842 | 13,957 | 7,868 | 40,072 | 9% |
| Luxembourg | 77 | 5,278 | 57 | 1,186 | 812 | 7,410 | 2% |
| Italy | 96 | 33,724 | 3,212 | 23,305 | 7,341 | 67,678 | 15% |
| United Kingdom | 41 | 10,498 | 778 | 2,958 | 2,180 | 16,454 | 4% |
| Germany | 249 | 7,779 | 990 | 6,292 | 857 | 16,167 | 4% |
| Netherlands | 10 | 5,640 | 242 | 2,677 | 236 | 8,806 | 2% |
| Other European countries | 1,765 | 21,648 | 1,300 | 11,830 | 2,567 | 39,110 | 9% |
| **North America** | **57** | **54,217** | **1,617** | **15,992** | **4,625** | **76,507** | **17%** |
| **Asia Pacific** | **1,013** | **16,179** | **2,577** | **384** | **1,062** | **21,214** | **5%** |
| Japan | 255 | 473 | 104 | 0 | 88 | 919 | 0% |
| North Asia | 7 | 7,123 | 1,162 | 4 | 302 | 8,597 | 2% |
| South East Asia (ASEAN) | 318 | 3,946 | 520 | 0 | 145 | 4,929 | 1% |
| Indian peninsula & Pacific | 433 | 4,637 | 791 | 379 | 527 | 6,768 | 2% |
| **Rest of the World** | **5,687** | **27,370** | **2,656** | **12,741** | **2,097** | **50,551** | **11%** |
| Turkey | 2,563 | 8,213 | 975 | 8,857 | 754 | 21,362 | 5% |
| Mediterranean | 1,402 | 5,360 | 347 | 1,289 | 446 | 8,844 | 2% |
| Gulf States & Africa | 745 | 6,173 | 521 | 694 | 178 | 8,311 | 2% |
| Latin America | 451 | 5,241 | 573 | 1,489 | 556 | 8,309 | 2% |
| Other countries | 525 | 2,384 | 240 | 411 | 165 | 3,725 | 1% |
| **TOTAL** | **9,286** | **257,672** | **16,112** | **126,440** | **39,772** | **449,282** | **100%** |

(*) *Within the European Free Trade Association, EFTA.*

# 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 main asset classes covered by one or more models are as follows:

## TABLE 29: MAIN MODELS : PD, LGD AND CCF/EAD

| Modelled parameter | Portfolio | Number of models | Model and methodology | Number of years default/loss data | Basel asset class |
|---|---|---|---|---|---|
| PD | Large corporate | 2 | Quantitative + expert based. Calibrated on internal data | > 10 years | Corporate |
| | Real estate non retail in France | 1 | Qualitative | > 10 years | Corporate |
| | Energy & Commodities transactional financing | 1 | Quantitative + expert based. Calibrated on internal data | > 10 years | Corporate |
| | Specialised finance | 4 | Quantitative + expert based. Calibrated on internal data | > 10 years | Corporate |
| | Sovereigns | 1 | Qualitative | > 10 years | Sovereign |
| | Banks | 1 | Quantitative + expert based. Calibrated on internal and external data | > 10 years | Bank |
| | French Retail Bank Real Estate loans to individuals | 6 | Logistic regression. PDs calibrated on internal long-run default data | > 10 years | Retail mortgage |
| | French Retail Bank investment and RE loans to SME | 6 | Logistic regression. PDs calibrated on internal long-run default data | > 10 years | Retail & Corporate SME |
| | Personal Finance-Revolving and Personal loans (France, Spain, Germany, Hungary and Czech Republic) | 1 model per country | Classification tree. PDs calibrated on internal long-run default data | > 10 years | Retail revolving and other Retail |
| | Retail Bank Belgium Residential Mortgages | 1 | Quantitative behavioural model based on a discriminant analysis on internal historical default data. | 9 years | Retail mortgage and other retail |
| | Retail Bank Belgium Public Banking | 1 | Rule based expert model | 9 years | Bank, Sovereign, Corporate, Corporate SME |
| | Retail Bank Belgium Commercial Banking (SME/Midcap) | 1 | Quantitative model based on a discriminant analysis on internal historical default data, including a pooling approach for clients with a very specific behaviour (clients with negative equity, ex defaulted clients…) | 9 years | Corporate, Corporate & Retail SME |
| | Retail Bank Belgium Banque des entrepreneurs (small companies, self-employed and liberal professions) | 1 | Quantitative model based on a discriminant analysis on internal historical default data, including a pooling approach for clients with a very specific behaviour (clients with negative equity, ex defaulted clients…) | 9 years | Corporate, Corporate & Retail SME, Mortgage, other Retail |
| | Banca Nazionale del Lavoro (Midcap) | 2 | Logistics models based on financial, behavioural data, and supplemented by qualitative data. Models calibrated on internal long-run default rates | 7 years | MidCap (including one modelled on real estate professionals) |
| | Banca Nazionale del Lavoro (VSEs and small business clients) | 6 | Logistics models based on financial and behavioural data, supplemented by qualitative data. Models calibrated on internal long-run default rates | 8 years | SME Retail (VSEs and small businesses) |
| | Banca Nazionale del Lavoro (Individual customers) | 5 | Logistics models by type of facility (mortgage loans, personal loans, etc.), based on behavioural and socio-demographic data. Models calibrated on internal long-run default rates. | 8 years | Individuals |

| Modelled parameter | Portfolio | Number of models | Model and methodology | Number of years default/loss data | Basel asset class |
|---|---|---|---|---|---|
| LGD | Large corporate | 2 | Quantitative | > 10 years | Corporate |
| | Real estate non retail in France | 1 | Quantitative | > 10 years | Corporate |
| | Energy & Commodities transactional financing | 1 | Quantitative and qualitative, depends on transaction structure | > 10 years | Corporate |
| | Specialised finance | 4 | Quantitative and qualitative, depends on transaction structure | > 10 years | Corporate |
| | Sovereigns | 1 | Quantitative | > 10 years | Sovereign |
| | Banks | 1 | Quantitative | > 10 years | Bank |
| | French Retail Bank Real Estate loans to individuals | 1 | Segmentation. LGDs calibrated on long-run internal default and loss data. Prudential margin covers downturn of last economic crises. | > 10 years | Retail mortgage |
| | French Retail Bank investment and RE loans to SME | 1 | Multiple linear regression. LGDs calibrated on internal long-run default and loss data. Prudential margin covers downturn of last economic crises. | > 10 years | Retail and SME |
| | Personal Finance Revolving and Personal loans (France, Spain, Germany, Hungary and Czech Republic) | 1 model per country | Classification tree. LGDs calibrated on internal long-run default and loss data including a downturn effect when considered appropriate | > 10 years | Retail QRE and other Retail |
| | Retail Bank Belgium Residential Mortgages | 1 | Quantitative model including a probability of loss based upon a logistic regression. | 9 years | Retail mortgage and other retail |
| | Retail Bank Belgium Public Banking | 1 | Quantitative model including a probability of loss based upon a logistic regression. Haircuts for collaterals are benchmarked on internal historical default data. | 9 years | Bank, Sovereign, Corporate SME |
| | Retail Bank Belgium Commercial Banking (SME/Midcap) & Banque des entrepreneurs (small companies, self-employed and liberal professions) | 1 | Quantitative model including a probability of loss based upon a logistic regression. Haircuts for collaterals are benchmarked on internal historical default data. | 9 years | Corporate, Corporate & Retail SME, Mortgage, other Retail |
| | Banca Nazionale del Lavoro (Midcap) | 1 | Quantitative model based on collection status, type of facility and collateral. The model is calibrated on internal long-run default and loss data. | 8 years | MidCap |
| | Banca Nazionale del Lavoro (VSEs and small business clients) | 1 | Quantitative model based on collection status, type of facility and collateral. The model is calibrated on internal long-run default and loss data. | 10 years | SME Retail (VSEs and small business clients) |
| | Banca Nazionale del Lavoro (Individual customers) | 1 | Quantitative model based on collection status, type of facility and collateral. The model is calibrated on internal long-run default and loss data. | 10 years | Individuals |

| Modelled parameter | Portfolio | Number of models | Model and methodology | Number of years default/loss data | Basel asset class |
|---|---|---|---|---|---|
| CCF/EAD | CCF for corporate, banks & sovereign | 1 | CCF calibrated on internal observation for confirmed credit lines, regulatory parameter used for the rest | > 10 years | All |
| | French Retail Bank Real Estate loans to individuals | - | CCF = 100% | 5 years | Retail mortgage and other retail |
| | French Retail Bank investment and RE loans to SME | - | CCF = 100% | 5 years | Retail & Corporate SME |
| | Personal Finance Revolving and Personal loans (France, Spain, Germany, Hungary and Czech Republic) | 1 model per country | Classification tree. CCFs calibrated on internal long-run default and loss data including a downturn effect when considered appropriate | > 10 years | Retail revolving and other retail |
| | Retail Bank Belgium Residential Mortgages | 1 | Rule based model validated on historical data. | 9 years | Retail mortgage and other retail |
| | Retail Bank Belgium Public Banking | 1 | Regression based models that determine a CCF for different product families. | 9 years | Bank, Sovereign, Corporate SME |
| | Retail Bank Belgium Commercial Banking (SME/Midcap) & Banque des entrepreneurs (small companies, self-employed and liberal professions) | 1 | Regression based models that determine a CCF for different product families. | 9 years | Corporate, Corporate & Retail SME, Mortgage, other Retail |
| | Banca Nazionale del Lavoro (Individual customers) | - | CCF = 100% | n.a. | SME Retail and Individuals |

## 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-2015 are compared against empirical realised default rate and loss rate for new defaults during 2016. 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 30: BACKTESTING OF AVERAGE PD AND LGD

| | 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% |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | 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 | 220,515 | 0.1% | 0.0% | 11% | 0% |
| Institutions | 65,568 | 0.3% | 0.0% | 31% | 0% |
| Corporates | 307,004 | 1.4% | 0.7% | 26% | 22% |
| Retail | 187,203 | 1.9% | 1.5% | 26% | 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 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.

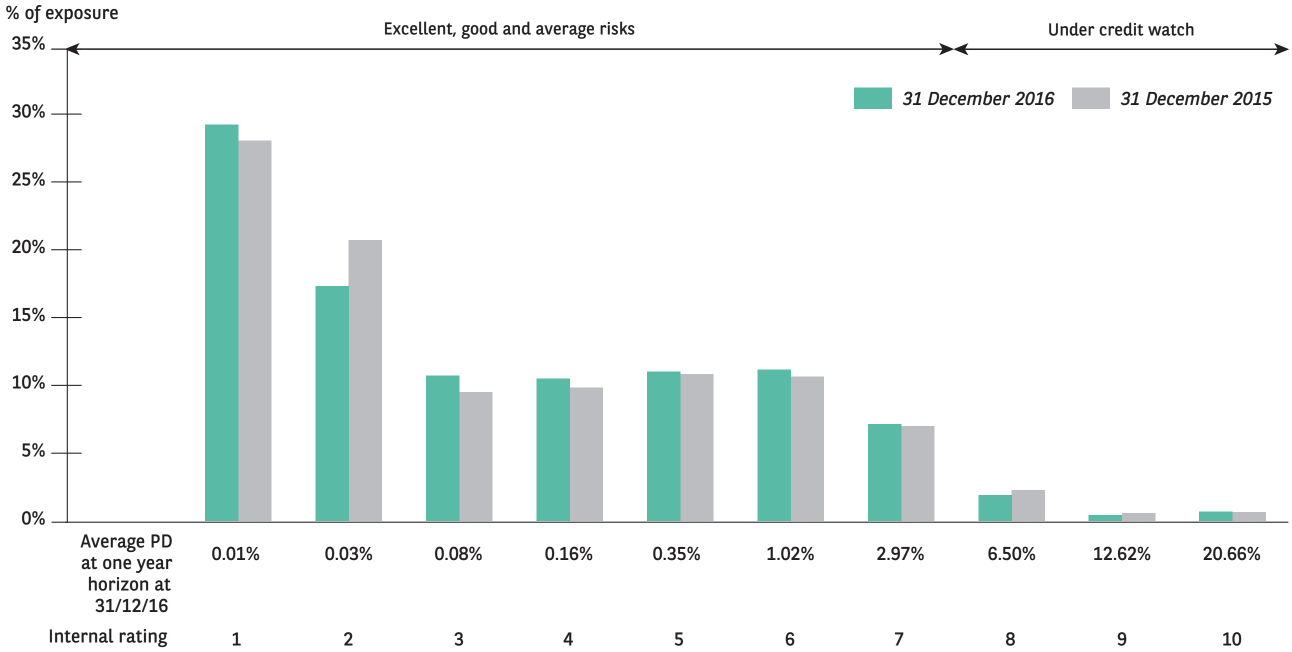
The same definition of default is used consistently throughout the Group for each asset class, in accordance with regulations.

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 806 billion at 31 December 2016 compared with EUR 791 billion at 31 December 2015.

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 5: IRBA EXPOSURE BY INTERNAL RATING – SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS**






## 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 824 billion at 31 December 2016, including EUR 806 billion of performing loans and EUR 18 billion of non-performing loans, compared with EUR 807 billion at 31 December 2015, including EUR 791 billion of performing loans and EUR 17 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];
- 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 31: EU CR6 – IRBA CREDIT EXPOSURE – SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS

This table is based on the model EU CR6 table in the EBA's Pillar 3 Guidelines (EBA/GL/2016/11 of 14 December 2016).

| | | 31 December 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | PD scale | Balance sheet exposure | Off-balance sheet exposure | Total exposure | Average off-balance sheet CCF | EAD | Average PD | Average LGD | RWAs(*) | Average RW(*) | Expected Loss |
| Central governments and central banks | 0.00 to < 0.15% | 274,208 | 1,607 | 275,815 | 53% | 275,096 | 0.01% | 2% | 1,401 | 1% | 1 |
| | 0.15 to < 0.25% | 589 | 0 | 589 | 75% | 590 | 0.16% | 13% | 48 | 8% | 0 |
| | 0.25 to < 0.50% | 3,585 | 43 | 3,628 | 60% | 3,611 | 0.37% | 30% | 1,399 | 39% | 4 |
| | 0.50 to < 0.75% | 1,700 | 881 | 2,582 | 55% | 2,187 | 0.69% | 17% | 590 | 27% | 3 |
| | 0.75 to < 2.50% | 249 | 5 | 254 | 70% | 253 | 1.55% | 33% | 239 | 95% | 2 |
| | 2.50 to < 10.0% | 919 | 309 | 1,228 | 59% | 1,102 | 6.20% | 9% | 342 | 31% | 5 |
| | 10.0 to < 100% | 533 | 79 | 612 | 75% | 593 | 17.72% | 13% | 421 | 71% | 16 |
| | 100% (defaults) | 90 | 20 | 109 | 55% | 122 | 100.00% | | 142 | 116% | 6 |
| **SUB-TOTAL** | | **281,874** | **2,943** | **284,817** | **55%** | **283,553** | **0.13%** | **2%** | **4,581** | **2%** | **37** |
| Institutions | 0.00 to < 0.15% | 24,152 | 13,638 | 37,790 | 49% | 30,861 | 0.05% | 20% | 2,570 | 8% | 3 |
| | 0.15 to < 0.25% | 1,797 | 1,791 | 3,587 | 59% | 2,860 | 0.18% | 31% | 821 | 29% | 2 |
| | 0.25 to < 0.50% | 3,762 | 1,135 | 4,898 | 49% | 4,325 | 0.36% | 30% | 1,782 | 41% | 5 |
| | 0.50 to < 0.75% | 1,356 | 871 | 2,227 | 45% | 1,752 | 0.68% | 26% | 901 | 51% | 3 |
| | 0.75 to < 2.50% | 1,150 | 401 | 1,551 | 59% | 1,389 | 1.33% | 39% | 1,389 | 100% | 8 |
| | 2.50 to < 10.0% | 532 | 460 | 992 | 50% | 765 | 4.41% | 42% | 1,178 | 154% | 15 |
| | 10.0 to < 100% | 95 | 110 | 206 | 85% | 190 | 19.68% | 47% | 512 | 270% | 16 |
| | 100% (defaults) | 384 | 65 | 449 | 79% | 436 | 100.00% | | 29 | 7% | 187 |
| **SUB-TOTAL** | | **33,227** | **18,472** | **51,699** | **50%** | **42,577** | **1.34%** | **23%** | **9,182** | **22%** | **239** |
| Corporates | 0.00 to < 0.15% | 49,918 | 127,790 | 177,708 | 49% | 112,676 | 0.07% | 38% | 25,580 | 23% | 28 |
| | 0.15 to < 0.25% | 26,447 | 30,237 | 56,684 | 51% | 42,088 | 0.18% | 37% | 15,272 | 36% | 27 |
| | 0.25 to < 0.50% | 41,995 | 33,663 | 75,657 | 49% | 58,659 | 0.35% | 35% | 28,451 | 49% | 71 |
| | 0.50 to < 0.75% | 16,309 | 10,718 | 27,027 | 53% | 22,168 | 0.68% | 27% | 10,850 | 49% | 40 |
| | 0.75 to < 2.50% | 47,688 | 24,504 | 72,192 | 50% | 60,328 | 1.38% | 27% | 38,797 | 64% | 222 |
| | 2.50 to < 10.0% | 34,414 | 18,884 | 53,298 | 50% | 43,927 | 4.20% | 28% | 40,649 | 93% | 500 |
| | 10.0 to < 100% | 4,923 | 2,339 | 7,262 | 47% | 6,043 | 18.17% | 26% | 8,448 | 140% | 291 |
| | 100% (defaults) | 16,098 | 1,862 | 17,960 | 46% | 16,992 | 100.00% | | 3,390 | 20% | 9,427 |
| **SUB-TOTAL** | | **237,790** | **249,997** | **487,787** | **49%** | **362,880** | **5.86%** | **33%** | **171,436** | **47%** | **10,607** |
| **TOTAL** | | **552,892** | **271,412** | **824,304** | **50%** | **689,010** | **3.22%** | **20%** | **185,198** | **27%** | **10,883** |

(*) *Add-on included.*

| | | | | | | | | | | | | 31 December 2015 Proforma |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | PD scale | Balance sheet exposure | Off-balance sheet exposure | Total exposure | Average off-balance sheet CCF | EAD | Average PD | Average LGD | RWAs(*) | Average RW(*) | Expected Loss | |
| Central governments and central banks | 0.00 to < 0.15% | 263,591 | 639 | 264,230 | 72% | 264,054 | 0.01% | 2% | 1,307 | 0% | 1 | |
| | 0.15 to < 0.25% | 434 | 41 | 475 | 55% | 457 | 0.16% | 12% | 36 | 8% | 0 | |
| | 0.25 to < 0.50% | 4,643 | 1,453 | 6,096 | 56% | 5,453 | 0.44% | 23% | 1,722 | 32% | 5 | |
| | 0.50 to < 0.75% | 16 | | 16 | | 16 | 0.69% | 40% | 11 | 71% | 0 | |
| | 0.75 to < 2.50% | 143 | 9 | 152 | 85% | 151 | 1.81% | 48% | 231 | 153% | 1 | |
| | 2.50 to < 10.0% | 1,045 | 509 | 1,554 | 59% | 1,344 | 5.64% | 12% | 565 | 42% | 8 | |
| | 10.0 to < 100% | 381 | 238 | 619 | 71% | 550 | 18.69% | 7% | 218 | 40% | 8 | |
| | 100% (defaults) | 59 | 0 | 59 | 48% | 59 | 100.00% | | 1 | 1% | 4 | |
| **SUB-TOTAL** | | **270,312** | **2,891** | **273,203** | **61%** | **272,084** | **0.11%** | **2%** | **4,091** | **2%** | **28** | |
| Institutions | 0.00 to < 0.15% | 38,730 | 15,463 | 54,193 | 52% | 46,792 | 0.04% | 19% | 3,696 | 8% | 4 | |
| | 0.15 to < 0.25% | 1,777 | 974 | 2,751 | 56% | 2,321 | 0.18% | 29% | 661 | 28% | 1 | |
| | 0.25 to < 0.50% | 5,109 | 1,747 | 6,856 | 46% | 5,914 | 0.36% | 27% | 2,256 | 38% | 6 | |
| | 0.50 to < 0.75% | 921 | 198 | 1,119 | 46% | 1,013 | 0.66% | 23% | 459 | 45% | 2 | |
| | 0.75 to < 2.50% | 1,081 | 324 | 1,405 | 61% | 1,280 | 1.36% | 37% | 1,295 | 101% | 7 | |
| | 2.50 to < 10.0% | 980 | 385 | 1,365 | 49% | 1,167 | 5.26% | 25% | 1,066 | 91% | 13 | |
| | 10.0 to < 100% | 92 | 130 | 222 | 87% | 204 | 18.87% | 35% | 400 | 196% | 14 | |
| | 100% (defaults) | 444 | 93 | 537 | 91% | 525 | 100.00% | | 1 | 0% | 216 | |
| **SUB-TOTAL** | | **49,134** | **19,313** | **68,447** | **52%** | **59,216** | **1.17%** | **21%** | **9,832** | **17%** | **263** | |
| Corporates | 0.00 to < 0.15% | 46,481 | 127,756 | 174,237 | 50% | 110,225 | 0.07% | 35% | 23,909 | 22% | 28 | |
| | 0.15 to < 0.25% | 23,003 | 26,140 | 49,143 | 50% | 36,070 | 0.18% | 36% | 13,048 | 36% | 24 | |
| | 0.25 to < 0.50% | 37,080 | 31,598 | 68,678 | 48% | 52,404 | 0.35% | 33% | 23,838 | 45% | 61 | |
| | 0.50 to < 0.75% | 16,172 | 10,101 | 26,273 | 52% | 21,413 | 0.68% | 28% | 11,192 | 52% | 40 | |
| | 0.75 to < 2.50% | 46,916 | 25,067 | 71,983 | 50% | 59,547 | 1.40% | 27% | 37,960 | 64% | 217 | |
| | 2.50 to < 10.0% | 33,574 | 16,896 | 50,470 | 49% | 41,906 | 4.38% | 27% | 37,306 | 89% | 484 | |
| | 10.0 to < 100% | 6,470 | 2,243 | 8,713 | 56% | 7,609 | 20.67% | 26% | 10,575 | 136% | 376 | |
| | 100% (defaults) | 14,950 | 1,391 | 16,341 | 40% | 15,613 | 100.00% | | 5,321 | 34% | 8,896 | |
| **SUB-TOTAL** | | **224,647** | **241,191** | **465,838** | **50%** | **344,786** | **5.85%** | **32%** | **163,149** | **47%** | **10,128** | |
| **TOTAL** | | **544,093** | **263,395** | **807,488** | **50%** | **676,086** | **3.13%** | **19%** | **177,072** | **26%** | **10,418** | |

(*) *Add-on included.*

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 0.69%. It is 1.24% for Corporates.

## TABLE 32: AVERAGE PD AND LGD OF THE CORPORATE ASSET CLASS BY GEOGRAPHICAL REGION

| | 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.*

| | 31 December 2015 | | |
|---|---|---|---|
| *In millions of euros* | Performing exposure | Average PD | Average LGD |
| Europe(*) | 297,908 | 1.40% | 32% |
| *of which France* | *92,557* | *1.25%* | *36%* |
| *of which Belgium* | *57,126* | *1.61%* | *24%* |
| *of which Luxembourg* | *11,205* | *1.32%* | *28%* |
| *of which Italy* | *38,686* | *2.00%* | *38%* |
| North America | 78,071 | 0.95% | 33% |
| Asia Pacific | 39,405 | 1.59% | 32% |
| Rest of the World | 34,113 | 1.85% | 27% |
| **TOTAL** | **449,497** | **1.38%** | **32%** |

(*) *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*.

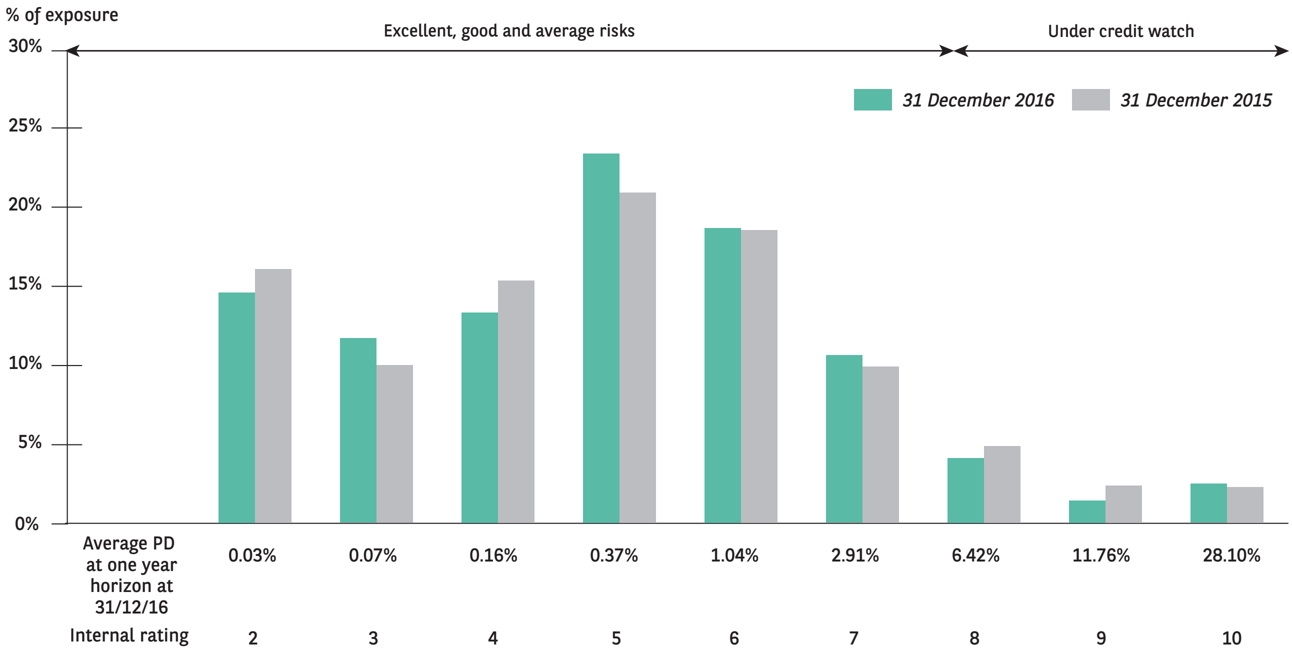
For the portion of the BNP Paribas Personal Finance book eligible for the IRBA, the risk parameters are determined by the Risk Function on a statistical basis according to customer type and relationship history.

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 244 billion at 31 December 2016, up EUR 14 billion, compared with EUR 230 billion at 31 December 2015.

### ➤ FIGURE 6: IRBA EXPOSURE BY INTERNAL RATING – RETAIL PORTFOLIO



## 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 258 billion as at 31 December 2016 compared with EUR 243 billion as at 31 December 2015.

### ➤ TABLE 33: EU CR6 – IRBA CREDIT EXPOSURE – RETAIL PORTFOLIO

This table is based on the model EU CR6 table in the EBA's Pillar 3 Guidelines (EBA/GL/2016/11 of 14 December 2016).

| | | 31 December 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | PD scale | Balance sheet exposure | Off-balance sheet exposure | Total exposure | Average off-balance sheet CCF | EAD | Average PD | Average LGD | RWAs(*) | Average RW(*) | Expected Loss |
| Mortgages | 0.00 to < 0.15% | 55,790 | 3,094 | 58,885 | 88% | 58,519 | 0.06% | 11% | 3,900 | 7% | 4 |
| | 0.15 to < 0.25% | 15,058 | 753 | 15,812 | 100% | 15,817 | 0.18% | 12% | 743 | 5% | 3 |
| | 0.25 to < 0.50% | 33,386 | 1,076 | 34,461 | 97% | 34,467 | 0.36% | 15% | 3,145 | 9% | 18 |
| | 0.50 to < 0.75% | 10,537 | 507 | 11,044 | 93% | 11,027 | 0.64% | 14% | 1,421 | 13% | 10 |
| | 0.75 to < 2.50% | 16,387 | 1,242 | 17,629 | 94% | 17,587 | 1.46% | 14% | 3,942 | 22% | 36 |
| | 2.50 to < 10.0% | 7,373 | 225 | 7,598 | 77% | 7,569 | 4.96% | 15% | 3,507 | 46% | 55 |
| | 10.0 to < 100% | 3,012 | 55 | 3,067 | 80% | 3,060 | 23.38% | 15% | 2,471 | 81% | 107 |
| | 100% (defaults) | 4,662 | 17 | 4,679 | 55% | 4,677 | 100.00% | | 1,789 | 38% | 1,320 |
| **SUB-TOTAL** | | **146,206** | **6,969** | **153,175** | **92%** | **152,723** | **4.11%** | **13%** | **20,918** | **14%** | **1,553** |
| Revolving exposures | 0.00 to < 0.15% | 185 | 5,049 | 5,234 | 67% | 4,075 | 0.07% | 65% | 115 | 3% | 129 |
| | 0.15 to < 0.25% | 82 | 1,610 | 1,692 | 73% | 1,332 | 0.18% | 59% | 81 | 6% | 1 |
| | 0.25 to < 0.50% | 146 | 1,632 | 1,778 | 69% | 1,338 | 0.32% | 57% | 126 | 9% | 2 |
| | 0.50 to < 0.75% | 203 | 2,073 | 2,276 | 53% | 1,396 | 0.58% | 53% | 196 | 14% | 4 |
| | 0.75 to < 2.50% | 1,195 | 2,668 | 3,863 | 44% | 2,415 | 1.35% | 49% | 580 | 24% | 16 |
| | 2.50 to < 10.0% | 2,562 | 2,247 | 4,810 | 34% | 3,378 | 5.30% | 46% | 2,049 | 61% | 83 |
| | 10.0 to < 100% | 1,042 | 313 | 1,354 | 59% | 1,247 | 20.76% | 47% | 1,465 | 117% | 126 |
| | 100% (defaults) | 1,298 | 47 | 1,345 | 56% | 1,327 | 100.00% | | 255 | 19% | 873 |
| **SUB-TOTAL** | | **6,713** | **15,639** | **22,352** | **57%** | **16,507** | **10.99%** | **55%** | **4,867** | **29%** | **1,234** |
| Other exposures | 0.00 to < 0.15% | 8,732 | 3,419 | 12,152 | 56% | 10,769 | 0.06% | 38% | 1,216 | 11% | 129 |
| | 0.15 to < 0.25% | 2,932 | 1,412 | 4,344 | 96% | 4,342 | 0.19% | 41% | 683 | 16% | 3 |
| | 0.25 to < 0.50% | 11,221 | 2,728 | 13,949 | 92% | 13,929 | 0.34% | 34% | 2,568 | 18% | 16 |
| | 0.50 to < 0.75% | 6,220 | 842 | 7,062 | 87% | 7,046 | 0.63% | 34% | 1,887 | 27% | 15 |
| | 0.75 to < 2.50% | 17,168 | 2,958 | 20,126 | 93% | 20,138 | 1.49% | 34% | 7,640 | 38% | 101 |
| | 2.50 to < 10.0% | 11,875 | 1,248 | 13,123 | 94% | 13,243 | 4.78% | 34% | 6,349 | 48% | 218 |
| | 10.0 to < 100% | 3,884 | 181 | 4,065 | 97% | 4,128 | 24.51% | 33% | 2,903 | 70% | 336 |
| | 100% (defaults) | 7,215 | 104 | 7,320 | 87% | 7,335 | 100.00% | | 4,312 | 59% | 4,428 |
| **SUB-TOTAL** | | **69,248** | **12,893** | **82,142** | **83%** | **80,930** | **11.60%** | **35%** | **27,556** | **34%** | **5,247** |
| **TOTAL** | | **222,167** | **35,502** | **257,669** | **73%** | **250,161** | **6.99%** | **22%** | **53,341** | **21%** | **8,034** |

(*) *Add-on included.*

| *In millions of euros* | PD scale | 31 December 2015 Proforma | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Balance sheet exposure | Off-balance sheet exposure | Total exposure | Average off-balance sheet CCF | EAD | Average PD | Average LGD | RWAs(*) | Average RW(*) | Expected Loss |
| Mortgages | 0.00 to < 0.15% | 50,252 | 1,931 | 52,183 | 83% | 51,861 | 0.06% | 11% | 3,138 | 8% | 4 |
| | 0.15 to < 0.25% | 17,874 | 550 | 18,424 | 102% | 18,435 | 0.17% | 13% | 887 | 5% | 4 |
| | 0.25 to < 0.50% | 29,565 | 653 | 30,218 | 96% | 30,193 | 0.37% | 14% | 2,817 | 9% | 16 |
| | 0.50 to < 0.75% | 9,130 | 389 | 9,519 | 94% | 9,494 | 0.64% | 14% | 1,264 | 13% | 9 |
| | 0.75 to < 2.50% | 15,788 | 584 | 16,372 | 88% | 16,302 | 1.45% | 14% | 3,682 | 23% | 33 |
| | 2.50 to < 10.0% | 7,349 | 224 | 7,573 | 73% | 7,514 | 4.86% | 15% | 3,421 | 46% | 53 |
| | 10.0 to < 100% | 3,363 | 57 | 3,420 | 76% | 3,407 | 21.03% | 15% | 2,610 | 77% | 102 |
| | 100% (defaults) | 3,787 | 17 | 3,804 | 60% | 3,797 | 100.00% | | 2,497 | 37% | 882 |
| **SUB-TOTAL** | | **137,108** | **4,406** | **141,514** | **88%** | **141,002** | **3.80%** | **13%** | **20,315** | **14%** | **1,104** |
| Revolving exposures | 0.00 to < 0.15% | 0 | 6,750 | 6,750 | 82% | 5,551 | 0.03% | 18% | 466 | 11% | 23 |
| | 0.15 to < 0.25% | - | 1,713 | 1,713 | 51% | 872 | 0.18% | 52% | 47 | 5% | 3 |
| | 0.25 to < 0.50% | 129 | 1,500 | 1,629 | 63% | 1,078 | 0.32% | 84% | 89 | 8% | 5 |
| | 0.50 to < 0.75% | 133 | 2,796 | 2,929 | 37% | 1,155 | 0.61% | 65% | 180 | 16% | 10 |
| | 0.75 to < 2.50% | 1,565 | 1,347 | 2,912 | 55% | 2,301 | 1.49% | 146% | 508 | 22% | 22 |
| | 2.50 to < 10.0% | 2,628 | 1,025 | 3,653 | 56% | 3,207 | 6.05% | 53% | 2,111 | 66% | 95 |
| | 10.0 to < 100% | 1,111 | 298 | 1,409 | 61% | 1,289 | 22.47% | 50% | 1,529 | 118% | 135 |
| | 100% (defaults) | 1,388 | 29 | 1,417 | 22% | 1,398 | 100.00% | | 300 | 12% | 858 |
| **SUB-TOTAL** | | **6,955** | **15,458** | **22,413** | **64%** | **16,852** | **11.42%** | **57%** | **5,229** | **31%** | **1,149** |
| Other exposures | 0.00 to < 0.15% | 11,534 | 2,686 | 14,220 | 81% | 10,486 | 0.06% | 36% | 915 | 25% | 4 |
| | 0.15 to < 0.25% | 6,188 | 1,161 | 7,349 | 104% | 7,594 | 0.18% | 35% | 1,050 | 14% | 6 |
| | 0.25 to < 0.50% | 9,214 | 1,175 | 10,389 | 96% | 11,327 | 0.38% | 36% | 2,405 | 21% | 19 |
| | 0.50 to < 0.75% | 5,851 | 733 | 6,584 | 81% | 6,485 | 0.66% | 32% | 1,661 | 26% | 16 |
| | 0.75 to < 2.50% | 15,451 | 1,363 | 16,814 | 109% | 18,387 | 1.51% | 34% | 7,051 | 38% | 111 |
| | 2.50 to < 10.0% | 10,753 | 539 | 11,292 | 100% | 11,742 | 4.69% | 34% | 5,559 | 47% | 193 |
| | 10.0 to < 100% | 4,697 | 149 | 4,846 | 99% | 4,920 | 21.77% | 35% | 3,248 | 66% | 341 |
| | 100% (defaults) | 7,859 | 115 | 7,974 | 88% | 7,969 | 100.00% | | 4,099 | 30% | 4,436 |
| **SUB-TOTAL** | | **71,547** | **7,921** | **79,468** | **93%** | **78,910** | **12.61%** | **35%** | **25,988** | **33%** | **5,125** |
| **TOTAL** | | **215,610** | **27,784** | **243,394** | **76%** | **236,763** | **7.28%** | **23%** | **51,532** | **22%** | **7,379** |

(*) *Add-on included.*

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 1.75%. 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.

The risk parameters used to calculate the expected one-year losses (EL) in accordance with the Basel principles, as disclosed in the tables above, are statistical estimates through the cycle (TTC); by contrast, realised losses by nature relate to prior year, and as such to a particular point in time (PIT).

For the scope analysed under the IRB approach, the expected one-year loss and the cost of risk are not comparable.

## ➤ TABLE 34: AVERAGE PD AND LGD OF THE RETAIL PORTFOLIO BY GEOGRAPHICAL REGION

| | 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.*

| | 31 December 2015 | | |
|---|---|---|---|
| *In millions of euros* | Performing exposure | Average PD | Average LGD |
| **Europe**(*) | **230,102** | **1.82%** | **23%** |
| *of which France* | *108,985* | *1.46%* | *25%* |
| *of which Belgium* | *67,553* | *1.64%* | *17%* |
| *of which Luxembourg* | *6,068* | *1.00%* | *23%* |
| *of which Italy* | *32,415* | *2.27%* | *25%* |
| **North America** | **10** | **n.s.** | **n.s.** |
| **Asia Pacific** | **2** | **n.s.** | **n.s.** |
| **Rest of the World** | **85** | **n.s.** | **n.s.** |
| **TOTAL** | **230,199** | **1.82%** | **23%** |

(*) *Within the European Free Trade Association, EFTA.*

## CREDIT RISK: STANDARDISED APPROACH

For exposures under the standardised approach, BNP Paribas uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings. 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.

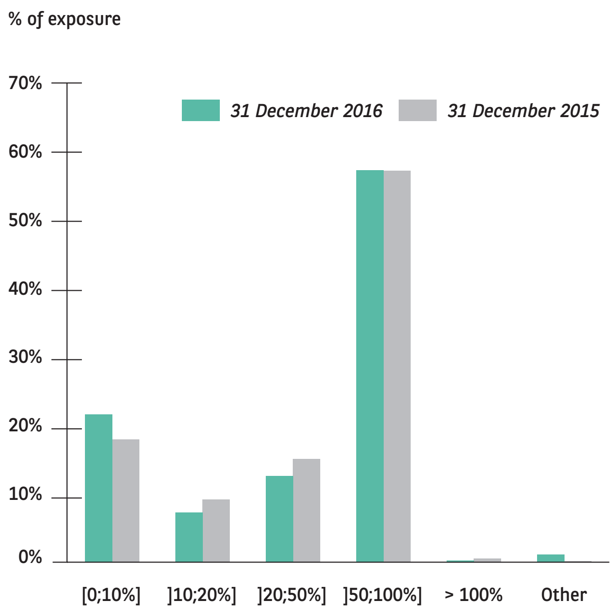
As at 31 December 2016, standardised approach exposure represents 25% of the BNP Paribas Group's total gross exposures to credit risk (excluding accrued income and tangible assets), identical to 31 December 2015.

### SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS [Audited]

The following chart shows a breakdown by risk weight of performing loans and commitments (EAD) to central governments and central banks, institutions and corporates for all the Group's business lines, measured using the standardised approach.

At 31 December 2016, this performing exposure represented EUR 180 billion (EUR 148 billion in exposure at default), compared with EUR 183 billion (EUR 154 billion in EAD) at 31 December 2015.

➤ **FIGURE 7: STANDARDISED EXPOSURE BY WEIGHTING – SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS**



## RETAIL PORTFOLIO [Audited]

The total exposure of retail loans and commitments for all of the Group's business lines using the standardised approach represented EUR 169 billion at 31 December 2016, compared with EUR 157 billion at 31 December 2015.

## TOTAL PORTFOLIO

In the following table, the credit risk exposures under the standardised approach are broken down according to the exposure classes in Article 112 of Regulation (EU) No. 575/2013. These amounts take into accounts other items. Exposures in the form of equity are presented under equity risk in section 5.7.

### TABLE 35: STANDARDISED CREDIT RISK EXPOSURES BY STANDARD ASSET CLASS

| Exposure *In millions of euros* | 31 December 2016 | 31 December 2015 Proforma | Variation |
|---|---|---|---|
| Central governments or central banks | 24,018 | 26,326 | (2,308) |
| Regional governments or local authorities | 5,329 | 4,408 | 921 |
| Public sector entities | 16,763 | 14,899 | 1,864 |
| Multilateral development banks | 5 | 10 | (5) |
| International organisations | 0 | 66 | (66) |
| Institutions | 6,666 | 9,484 | (2,818) |
| Corporates | 103,991 | 107,288 | (3,297) |
| Retail | 103,778 | 95,263 | 8,515 |
| Exposures secured by mortgages on immovable property | 79,902 | 71,900 | 8,002 |
| Exposures in default | 14,933 | 16,065 | (1,132) |
| Exposures in the form of units or shares in collective investment undertakings | 1,077 | 1,676 | (600) |
| Other items | 119,752 | 113,428 | 6,324 |
| **TOTAL** | **476,213** | **460,814** | **15,399** |

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. Total exposure at default was EUR 409 billion at 31 December 2016 compared to EUR 399 billion at 31 December 2015, including Other non credit-obligation assets. Without the latter, the exposure at default was EUR 289 billion at 31 December 2016, compared with EUR 286 billion at 31 December 2015.

### ➤ TABLE 36: EU CR5 – STANDARDISED CREDIT RISK EAD

This table is based on the model EU CR5 table in the EBA's Pillar 3 Guidelines (EBA/GL/2016/11 of 14 December 2016).

| | Risk weight *In millions of euros* | 31 December 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | EAD | | | | | | | | | |
| | | 0% | 20% | 35% | 50% | 75% | 100% | 150% | 250% | Others | Total |
| 1 | Central governments or central banks | 22,982 | 935 | | 794 | | 3,475 | | | 2 | **28,190** |
| 2 | Regional governments or local authorities | 1,456 | 2,473 | | 17 | | 126 | | | 3 | **4,074** |
| 3 | Public sector entities | 11,911 | 3,301 | | 6 | | 867 | | | 17 | **16,101** |
| 4 | Multilateral development banks | 5 | 0 | | | | | | | | **5** |
| 5 | International organisations | | 0 | | | | | | | | **0** |
| 6 | Institutions | | 5,363 | | 820 | | 1,507 | 2 | | 268 | **7,960** |
| 7 | Corporates | 0 | 331 | | 2,330 | | 74,800 | 364 | | 583 | **78,409** |
| 8 | Retail | | | | | 79,179 | 0 | | | 774 | **79,954** |
| 9 | Exposures secured by mortgages on immovable property | | 11 | 35,042 | 17,325 | 10,811 | 3,970 | | | 801 | **67,959** |
| 10 | Exposures in default | | | | | | 4,231 | 1,405 | | 337 | **5,974** |
| 14 | Exposures in the form of units or shares in collective investment undertakings | 19 | 32 | | | | 278 | | | | **329** |
| 16 | Other items | 78,042 | 3,028 | | 4,416 | 177 | 21,489 | 0 | 3,746 | 8,855 | **119,752** |
| **17** | **TOTAL** | **114,414** | **15,474** | **35,042** | **25,708** | **90,167** | **110,743** | **1,771** | **3,746** | **11,640** | **408,705** |

| Risk weight *In millions of euros* | | 31 December 2015 Proforma | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | EAD | | | | | | | | | |
| | | 0% | 20% | 35% | 50% | 75% | 100% | 150% | 250% | Others | Total |
| 1 | Central governments or central banks | 22,553 | 1,023 | | 5,940 | | 1,544 | | | | **31,059** |
| 2 | Regional governments or local authorities | 1,117 | 2,643 | | 1 | | 126 | | | | **3,887** |
| 3 | Public sector entities | 8,194 | 3,249 | | 2 | | 1,608 | | | | **13,053** |
| 4 | Multilateral development banks | 10 | | | | | | | | | **10** |
| 5 | International organisations | 66 | | | | | | | | | **66** |
| 6 | Institutions | | 8,373 | | 1,509 | | 1,125 | 33 | | 218 | **11,259** |
| 7 | Corporates | 295 | 496 | | 2,760 | | 79,828 | 776 | | 4 | **84,159** |
| 8 | Retail | 20 | | | | 72,071 | 35 | | | 370 | **72,497** |
| 9 | Exposures secured by mortgages on immovable property | | 1 | 34,072 | 15,876 | 9,435 | 3,172 | | | | **62,556** |
| 10 | Exposures in default | 7 | | | | | 5,368 | 1,499 | | | **6,874** |
| 14 | Exposures in the form of units or shares in collective investment undertakings | 45 | 16 | | | | 461 | | | | **523** |
| 16 | Other items | 73,207 | 2,504 | | 3,721 | 202 | 22,749 | 9 | 3,809 | 7,227 | **113,428** |
| **17** | **TOTAL** | **105,514** | **18,305** | **34,072** | **29,809** | **81,709** | **116,016** | **2,318** | **3,809** | **7,820** | **399,371** |

Exchange rate effects have relatively small impact on change in exposure at default, as they almost completely offset each other between currencies, particularly with the appreciation of the US dollar and the depreciation of sterling and the Turkish lira.

The most notable developments in exposure at default per standard exposure class are discussed below, excluding the exchange rate effect:

- the EUR 8 billion increase in retail exposures is attributable partly to the development of Personal Finance partnerships in Italy;
- the EUR 6 billion increase in real estate exposures secured by a mortgage was focused on North America (EUR 4 billion increase) and to a lesser extent the Other European countries (EUR 2 billion increase);
- the EUR 6 billion decrease in corporate exposures was focused partly on Turkey and Europe;
- the EUR 3 billion decline in exposures to institutions was observed mainly in Germany.

## ➤ TABLE 37: STANDARDISED RISK-WEIGHTED ASSETS BY STANDARD ASSET CLASS

| RWAs *In millions of euros* | 31 December 2016 | 31 December 2015 Proforma | Variation |
|---|---|---|---|
| Central governments or central banks | 4,060 | 4,718 | (658) |
| Regional governments or local authorities | 630 | 655 | (25) |
| Public sector entities | 1,533 | 2,258 | (725) |
| Multilateral development banks | 0 | 0 | 0 |
| International organisations | 0 | 0 | 0 |
| Institutions | 3,122 | 3,624 | (502) |
| Corporates | 76,059 | 81,142 | (5,083) |
| Retail | 55,666 | 51,557 | 4,109 |
| Exposures secured by mortgages on immovable property | 31,979 | 28,872 | 3,107 |
| Exposures in default | 6,647 | 7,616 | (969) |
| Exposures in the form of units or shares in collective investment undertakings | 284 | 465 | (181) |
| Other items | 39,613 | 39,636 | (23) |
| **TOTAL** | **219,594** | **220,542** | **(948)** |

# 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.

## TABLE 38: EXPOSURE IN DEFAULT AND PROVISIONS BY GEOGRAPHICAL REGION

| *In millions of euros* | | 31 December 2016 | | | | |
|---|---|---|---|---|---|---|
| | | | Exposure in default(*) | | | |
| | | Gross exposure | Standardised approach | IRB approach | Total | Specific provisions |
| **Europe(**)** | | **1,009,432** | **12,104** | **26,666** | **38,770** | **20,725** |
| | France | 391,769 | 2,871 | 7,140 | 10,011 | 5,105 |
| | Belgium | 168,566 | 243 | 2,845 | 3,088 | 924 |
| | Luxembourg | 38,144 | 4 | 186 | 190 | 81 |
| | Italy | 147,800 | 6,050 | 13,498 | 19,548 | 11,176 |
| | United Kingdom | 53,433 | 416 | 955 | 1,371 | 722 |
| | Germany | 51,684 | 233 | 484 | 717 | 412 |
| | Netherlands | 43,643 | 47 | 20 | 66 | 17 |
| | Other European countries | 114,392 | 2,241 | 1,537 | 3,779 | 2,288 |
| **North America** | | **220,269** | **219** | **1,761** | **1,980** | **924** |
| **Asia Pacific** | | **107,880** | **7** | **406** | **413** | **173** |
| | Japan | 35,064 | 0 | 1 | 1 | 0 |
| | North Asia | 36,950 | 1 | 152 | 153 | 82 |
| | South East Asia (ASEAN) | 17,605 | 4 | 90 | 94 | 31 |
| | Indian peninsula & Pacific | 18,261 | 2 | 163 | 165 | 59 |
| **Rest of the World** | | **100,852** | **2,602** | **3,030** | **5,632** | **3,241** |
| | Turkey | 33,154 | 559 | 18 | 577 | 390 |
| | Mediterranean | 15,037 | 849 | 344 | 1,193 | 809 |
| | Gulf States & Africa | 26,335 | 213 | 2,031 | 2,243 | 1,169 |
| | Latin America | 19,913 | 137 | 413 | 550 | 283 |
| | Other countries | 6,414 | 845 | 224 | 1,069 | 589 |
| **TOTAL** | | **1,438,434** | **14,933** | **31,863** | **46,796** | **25,063** |

(*) *Gross exposure (balance sheet and off-balance sheet) before collateral or other security.*
(**) *Within the European Free Trade Association, EFTA.*

| In millions of euros | | 31 December 2015 | | | | |
|---|---|---|---|---|---|---|
| | | Gross exposure | Exposure in default(*) | | | Specific provisions |
| | | | Standardised approach | IRB approach | Total | |
| **Europe(**)** | | **968,254** | **12,823** | **26,062** | **38,885** | **20,275** |
| | France | 350,533 | 3,174 | 7,046 | 10,220 | 5,024 |
| | Belgium | 168,159 | 206 | 2,850 | 3,057 | 1,037 |
| | Luxembourg | 30,109 | 28 | 288 | 316 | 192 |
| | Italy | 141,634 | 6,389 | 13,353 | 19,742 | 10,585 |
| | United Kingdom | 80,273 | 340 | 332 | 671 | 569 |
| | Germany | 49,495 | 213 | 416 | 628 | 350 |
| | Netherlands | 37,125 | 66 | 45 | 110 | 39 |
| | Other European countries | 110,925 | 2,407 | 1,733 | 4,140 | 2,480 |
| **North America** | | **219,038** | **245** | **1,252** | **1,498** | **747** |
| **Asia Pacific** | | **108,163** | **491** | **202** | **693** | **268** |
| | Japan | 39,752 | 0 | 1 | 1 | 0 |
| | North Asia | 33,654 | 1 | 102 | 103 | 46 |
| | South East Asia (ASEAN) | 15,851 | 0 | 88 | 88 | 31 |
| | Indian peninsula & Pacific | 18,905 | 490 | 11 | 501 | 191 |
| **Rest of the World** | | **102,813** | **2,506** | **2,617** | **5,123** | **3,008** |
| | Turkey | 36,777 | 479 | 16 | 495 | 312 |
| | Mediterranean | 14,150 | 813 | 220 | 1,034 | 751 |
| | Gulf States & Africa | 24,514 | 178 | 1,704 | 1,882 | 1,102 |
| | Latin America | 20,193 | 141 | 224 | 365 | 203 |
| | Other countries | 7,179 | 894 | 453 | 1,347 | 641 |
| **TOTAL** | | **1,398,268** | **16,065** | **30,133** | **46,199** | **24,298** |

*(*) Gross exposure (balance sheet and off-balance sheet) before collateral or other security.*
*(**) Within the European Free Trade Association, EFTA.*

## ➤ TABLE 39: EXPOSURE IN DEFAULT AND PROVISIONS BY ASSET CLASS

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | | Exposure in default(*) | | | |
| *In millions of euros* | Gross exposure | Standardised approach | IRB approach | Total | Specific provisions |
| Central governments and central banks | 321,972 | 195 | 109 | 305 | 8 |
| Corporates | 621,530 | 6,322 | 17,960 | 24,281 | 13,132 |
| Institutions | 67,831 | 128 | 449 | 577 | 207 |
| Retail | 427,101 | 8,288 | 13,344 | 21,632 | 11,716 |
| **TOTAL** | **1,438,434** | **14,933** | **31,863** | **46,796** | **25,063** |

(*) *Gross exposure (balance sheet and off-balance sheet) before collateral or other security.*

| | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | | Exposure in default(*) | | | |
| *In millions of euros* | Gross exposure | Standardised approach | IRB approach | Total | Specific provisions |
| Central governments and central banks | 309,332 | 319 | 59 | 378 | 24 |
| Corporates | 600,199 | 6,978 | 16,342 | 23,320 | 12,572 |
| Institutions | 88,114 | 205 | 537 | 742 | 237 |
| Retail | 400,623 | 8,564 | 13,195 | 21,759 | 11,464 |
| **TOTAL** | **1,398,268** | **16,065** | **30,133** | **46,199** | **24,298** |

(*) *Gross exposure (balance sheet and off-balance sheet) before collateral or other security.*

Provisions on a portfolio basis on the prudential scope totalled EUR 3.4 billion at 31 December 2016, compared with EUR 3.6 billion at 31 December 2015.

The cost of risk is presented in the consolidated financial statements – Note 2.g - *Cost of risk*.

## ➤ TABLE 40: UNIMPAIRED EXPOSURES WITH PAST DUE INSTALMENTS BY ASSET CLASS

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | Maturities of unimpaired past-due loans(*) | | | | |
| *In millions of euros* | Up to 90 days | Between 90 days and 180 days | Between 180 days and 1 year | More than 1 year | Total |
| Central banks and central governments | 85 | 79 | 19 | 175 | 358 |
| Corporate | 5,469 | 57 | 21 | 73 | 5,620 |
| Institutions | 58 | 0 | 0 | 1 | 59 |
| Retail | 2,242 | 6 | 2 | 9 | 2,259 |
| **TOTAL STANDARDISED SCOPE** | **7,854** | **142** | **42** | **258** | **8,296** |
| Central banks and central governments | 53 | 0 | 0 | 39 | 92 |
| Corporate | 1,879 | 34 | 29 | 23 | 1,965 |
| Institutions | 195 | 1 | 0 | 0 | 196 |
| Retail | 1,643 | 122 | 96 | 14 | 1,875 |
| **TOTAL IRBA SCOPE** | **3,770** | **157** | **125** | **76** | **4,128** |
| **TOTAL** | **11,624** | **299** | **167** | **334** | **12,424** |

(*) *Based on the prudential scope, gross exposure (balance sheet) before collateral or other security.*

| *In millions of euros* | 31 December 2015 Proforma | | | | |
|---|---|---|---|---|---|
| | Maturities of unimpaired past-due loans(*) | | | | |
| | Up to 90 days | Between 90 days and 180 days | Between 180 days and 1 year | More than 1 year | Total |
| Central governments and central banks | 111 | 39 | 20 | 130 | 300 |
| Corporates | 5,025 | 75 | 42 | 52 | 5,194 |
| Institutions | 27 | 15 | 0 | 0 | 42 |
| Retail | 2,455 | 79 | 1 | 1 | 2,537 |
| **TOTAL STANDARDISED APPROACH** | **7,619** | **209** | **63** | **183** | **8,073** |
| Central governments and central banks | 376 | 18 | 15 | 57 | 466 |
| Corporates | 1,828 | 83 | 61 | 42 | 2,014 |
| Institutions | 137 | 0 | 0 | 0 | 137 |
| Retail | 3,882 | 171 | 123 | 26 | 4,202 |
| **TOTAL IRB APPROACH** | **6,223** | **272** | **199** | **125** | **6,819** |
| **TOTAL** | **13,842** | **481** | **262** | **308** | **14,892** |

(*) *Based on a prudential scope, gross exposure (balance sheet) before collateral or other security.*

## 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 41: RESTRUCTURED LOANS BY ASSET CLASS

| *In millions of euros* | Restructured loans at 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Of which doubtful outstandings | | |
| | Gross amount | Provision | Net amount | Gross amount | Provision | Net amount |
| **Loans and advances** | **12,823** | **(4,092)** | **8,731** | **7,503** | **(3,537)** | **3,966** |
| Central governments and central banks | 31 | - | 31 | 4 | - | 4 |
| Corporates | 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 |
| **Off-balance sheet commitments** | **291** | **(4)** | **287** | **258** | **(1)** | **257** |
| **TOTAL** | **13,114** | **(4,096)** | **9,018** | **7,761** | **(3,538)** | **4,223** |

| *In millions of euros* | Restructured loans at 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Of which doubtful outstandings | | |
| | Gross amount | Provision | Net amount | Gross amount | Provision | Net amount |
| **Loans and advances** | **12,682** | **(3,729)** | **8,953** | **6,527** | **(3,027)** | **3,500** |
| Central governments and central banks | 113 | (2) | 111 | 4 | (2) | 2 |
| Corporates | 5,445 | (1,924) | 3,521 | 4,074 | (1,841) | 2,233 |
| Institutions | 459 | (53) | 406 | 104 | (39) | 65 |
| Retail | 6,665 | (1,750) | 4,915 | 2,345 | (1,145) | 1,200 |
| **Off-balance sheet commitments** | **447** | **(4)** | **443** | **50** | **(1)** | **49** |
| **TOTAL** | **13,129** | **(3,733)** | **9,396** | **6,577** | **(3,028)** | **3,549** |

## ➤ TABLE 42: RESTRUCTURED LOANS BY GEOGRAPHICAL REGION

| *In millions of euros* | | Restructured loans at 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Of which doubtful outstandings | | |
| | | Gross amount | Provision | Net amount | Gross amount | Provision | Net amount |
| **Europe** | | **10,769** | **(3,370)** | **7,399** | **6,310** | **(2,843)** | **3,467** |
| | France | 3,175 | (1,071) | 2,104 | 1,484 | (727) | 757 |
| | 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** | | **67** | **(20)** | **47** | **65** | **(19)** | **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** | | **13,114** | **(4,096)** | **9,018** | **7,761** | **(3,538)** | **4,223** |

| *In millions of euros* | | Restructured loans at 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Of which doubtful outstandings | | |
| | | Gross amount | Provision | Net amount | Gross amount | Provision | Net amount |
| **Europe** | | **11,199** | **(3,265)** | **7,934** | **5,584** | **(2,630)** | **2,954** |
| | France | 4,261 | (1,182) | 3,079 | 1,668 | (778) | 890 |
| | Belgium | 302 | (67) | 235 | 191 | (67) | 124 |
| | Luxembourg | 435 | (63) | 372 | 113 | (55) | 58 |
| | Italy | 3,215 | (1,056) | 2,159 | 2,427 | (987) | 1,440 |
| | Germany | 307 | (32) | 275 | 34 | (17) | 17 |
| | Other European countries | 2,679 | (865) | 1,814 | 1,151 | (726) | 425 |
| **North America** | | **605** | **(66)** | **539** | **261** | **(60)** | **201** |
| **Asia Pacific** | | **48** | **(7)** | **41** | **18** | **(4)** | **14** |
| **Rest of the World** | | **1,277** | **(395)** | **882** | **714** | **(334)** | **380** |
| | Turkey | 338 | (2) | 336 | 14 | (2) | 12 |
| | Gulf States & Africa | 150 | (69) | 81 | 67 | (59) | 8 |
| | Other countries | 789 | (324) | 465 | 633 | (273) | 360 |
| **TOTAL** | | **13,129** | **(3,733)** | **9,396** | **6,577** | **(3,028)** | **3,549** |



# 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 368 million at 31 December 2016, compared with EUR 255 million at 31 December 2015. 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.

The following tables give for the central governments and central banks, corporates and institutions portfolios the breakdown by asset class of the risk mitigation resulting from collateral and guarantees relating to the portfolio of loans and credit commitments for all the Group's business lines.

**➤ TABLE 43: IRBA – CREDIT RISK MITIGATION FOR SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS**

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Risk mitigation | | | | Risk mitigation | | |
| *In millions of euros* | 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 | 284,817 | 3,839 | 1,083 | 4,923 | 273,203 | 5,039 | 36 | 5,075 |
| Corporates | 487,787 | 73,344 | 66,935 | 140,279 | 465,838 | 62,297 | 57,859 | 120,156 |
| Institutions | 51,699 | 3,097 | 1,272 | 4,369 | 68,447 | 3,982 | 685 | 4,666 |
| **TOTAL** | **824,304** | **80,280** | **69,291** | **149,570** | **807,488** | **71,317** | **58,579** | **129,897** |

### TABLE 44: STANDARDISED APPROACH – CREDIT RISK MITIGATION FOR SOVEREIGN, FINANCIAL INSTITUTION, CORPORATE AND SPECIALISED FINANCING PORTFOLIOS

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Risk mitigation | | | | Risk mitigation | | |
| *In millions of euros* | 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 | 37,154 | 0 | 0 | 0 | 36,129 | 0 | 0 | 0 |
| Corporates | 133,743 | 459 | 22,204 | 22,663 | 134,361 | 717 | 19,082 | 19,799 |
| Institutions | 16,132 | 0 | 1 | 1 | 19,668 | 0 | 1 | 1 |
| **TOTAL** | **187,029** | **459** | **22,205** | **22,664** | **190,157** | **717** | **19,083** | **19,800** |

The increase on the Corporate portfolio arises from the improvement in taking existing guarantees into account.

# 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 regulatory capital calculation. Only BNP Paribas' positions in the securitisation vehicle, and any commitment subsequently granted to the securitisation vehicle, are included in the capital requirement.

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 BNP Paribas Group*).

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.

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 Securitisation 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 relevant Securitisation Credit Committees.

### 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 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 45: SECURITISED EXPOSURES AND SECURITISATION POSITIONS (HELD OR ACQUIRED) BY ROLE**

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| **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 | 4,939 | 4,685 | 1,809 | 1,716 |
| Sponsor | 2 | 15,320 | 3 | 15,858 |
| Investor | 0 | 6,134 | 0 | 7,582 |
| **TOTAL** | **4,941** | **26,139** | **1,812** | **25,155** |

(*) *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 facilities granted to securitisation transactions originated by other parties.*

## PROPRIETARY SECURITISATION (ORIGINATOR)

Exposures retained in securitisation positions originated by BNP Paribas amounted to EUR 4.7 billion at 31 December 2016, including 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 2016, two main transactions are efficient under Basel 3 due to significant risk transfer, and are included in the Table 45 *Securitised exposures and securitisation positions (held or acquired) by role*.

In addition, two securitisation transactions were carried out in 2016, of which one by French Retail Banking and one by UCI (partnership with Santander). These transactions will not have a lessening impact on the calculation of regulatory capital, as they did not give rise to a significant transfer of risk. The relevant exposures are therefore included in the section on credit risk (see section 5.4).

As at 31 December 2016, the Group BNP Paribas originated 36 securitisation transactions, for a total amount of EUR 74 billion of securitisation exposures. They include EUR 20.2 billion for BNP Paribas Personal Finance, EUR 0.5 billion for Bank of the West, EUR 3.5 billion for BNL, EUR 38.6 billion for BNP Paribas Fortis and EUR 11.1 billion for French Retail Banking. As these transactions are inefficient under Basel rules, the exposures are included in customer loans.

## 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, rise to EUR 15 billion at 31 December 2016.

### Short-term refinancing

At 31 December 2016, three consolidated multiseller conduits (Starbird, Matchpoint and Scaldis) were sponsored by the Group. They are refinanced on the local short-term commercial paper market.

Liquidity facilities granted by the Group to these three conduits amounted to EUR 14.6 billion at 31 December 2016, compared with EUR 13.9 billion at 31 December 2015 due to the increase in Starbird and Matchpoint outstandings.

### 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 0.7 billion, including EUR 0.2 billion in assets awaiting the issuance of CLOs.

## SECURITISATION AS INVESTOR

The securitisation positions of BNP Paribas as an investor amounted to EUR 6.1 billion at 31 December 2016. 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 is responsible for monitoring and managing a securitisation portfolio, which represented a total of EUR 1.8 billion at 31 December 2016 compared with EUR 1.6 billion at 31 December 2015. In addition, Fixed Income Credit and Commodities also houses Negative Basis Trade (NBT) positions representing an exposure at default of EUR 0.7 billion, compared with EUR 1.7 billion at 31 December 2015.

The exposure of CIB Portfolio Management (PM) stands at EUR 0.7 billion as at 31 December 2016, stable compared with 31 December 2015.

At 31 December 2016, Asset Management total exposure amounted EUR 0.3 billion.

BNP Paribas Fortis' portfolio of structured loans, which was not assigned to a business line and is housed in "Corporate Centre", is worth EUR 2.3 billion at 31 December 2016. This portfolio is managed in run-off.

## SECURITISED EXPOSURES

At 31 December 2016, the main securitisation transactions recognised as effective are the following:

- one transaction initiated in 2016 by CIB PM on a portfolio of corporate loans in the amount of EUR 4.9 billion;
- one transaction initiated in 2015 by CIB FICC on a portfolio of Personal Finance residential mortgages in the amount of EUR 0.04 billion.

The transaction on SME loans originated by French Retail Banking, with a guarantee from the European Investment Bank, carried out by French Retail Banking for a total of EUR 1 billion in securitised exposures, became ineffective in 2016.

The transaction initiated in 2013 by CIB PM on a portfolio of corporate loans in the amount of EUR 0.5 billion ended in 2016.

BNP Paribas did not securitise for its own account revolving exposures subject to early amortisation treatment.

At 31 December 2016, no assets were awaiting securitisation.

### ➤ TABLE 46: SECURITISED EXPOSURES ORIGINATED BY BNP PARIBAS

| *In millions of euros* | | Securitised exposures originated by BNP Paribas | |
|---|---|---|---|
| **Securitisation type** | **Calculation approach** | **31 December 2016** | **31 December 2015** |
| Traditional | IRBA | 2 | 126 |
| | Standard | 33 | 1 |
| **Sub-Total** | | **35** | **127** |
| Synthetic | IRBA | 4,906 | 1,685 |
| **TOTAL** | | **4,941** | **1,812** |

### ➤ TABLE 47: SECURITISED EXPOSURES BY BNP PARIBAS BY UNDERLYING ASSET CATEGORY(*)

| **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** |

| **Securitised exposures** *In millions of euros* | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | **Originator** | | **Sponsor(**)** | | |
| | **Traditional** | **Synthetic** | **Traditional** | **Synthetic** | **Total** |
| Residential mortgages | 124 | | 427 | | 551 |
| Consumer loans | | | 2,106 | | 2,106 |
| Credit card receivables | | | 2,049 | | 2,049 |
| Loans to corporates | | 1,685 | 2,194 | | 3,879 |
| Commercial and industrial loans | | | 3,642 | | 3,642 |
| Commercial real-estate properties | | | 38 | | 38 |
| Finance leases | | | 3,772 | | 3,772 |
| Other assets | 1 | | 1,524 | | 1,525 |
| **TOTAL** | **125** | **1,685** | **15,752** | - | **17,561** |

(*) *This breakdown is based on the predominant underlying asset of the securitisation.*
(**) *Within the securitised exposures on behalf of clients, EUR 2 million correspond to originated exposures (from BNP Paribas balance sheet) at 31 December 2016 (compared with EUR 3 million at 31 December 2015).*

## SECURITISATION POSITIONS

### ➤ TABLE 48: SECURITISATION POSITIONS HELD OR ACQUIRED BY UNDERLYING ASSET CATEGORY

| *In millions of euros* | | Securitisation positions held or acquired (EAD) | | | | | |
|---|---|---|---|---|---|---|---|
| | | 31 December 2016 | | | 31 December 2015 | | |
| BNP Paribas role | Asset category(*) | Balance sheet | Off-balance sheet | Total | Balance sheet | Off-balance sheet | Total |
| Originator | Residential mortgages | 32 | | 32 | 100 | | 100 |
| | Loans to corporates | 4,653 | | 4,653 | 1,614 | | 1,614 |
| | Other assets | 1 | | 1 | 1 | | 1 |
| **TOTAL ORIGINATOR** | | **4,685** | **-** | **4,685** | **1,716** | **-** | **1,716** |
| Sponsor | Residential mortgages | 82 | 152 | 235 | 186 | 248 | 434 |
| | Consumer loans | 648 | 2,809 | 3,457 | 495 | 1,611 | 2,106 |
| | Credit card receivables | 247 | 1,191 | 1,437 | 238 | 1,810 | 2,049 |
| | Loans to corporates | 655 | 295 | 950 | 1,832 | 462 | 2,294 |
| | Commercial and industrial loans | | 4,298 | 4,298 | | 3,642 | 3,642 |
| | Commercial real-estate properties | 17 | 0 | 17 | 26 | 11 | 38 |
| | Finance leases | | 3,990 | 3,990 | 15 | 3,757 | 3,772 |
| | Other assets | | 935 | 935 | | 1,524 | 1,524 |
| **TOTAL SPONSOR** | | **1,649** | **13,670** | **15,320** | **2,792** | **13,065** | **15,858** |
| Investor | Residential mortgages | 1,247 | 80 | 1,327 | 1,738 | 158 | 1,897 |
| | Consumer loans | 2,448 | 90 | 2,538 | 2,414 | 67 | 2,481 |
| | Credit card receivables | | 2 | 2 | | 9 | 9 |
| | Loans to corporates | 1,164 | 153 | 1,317 | 1,981 | 103 | 2,084 |
| | Commercial real-estate properties | 354 | 43 | 397 | 831 | 43 | 874 |
| | Finance leases | 479 | 1 | 480 | 93 | 2 | 96 |
| | Other assets | 1 | 71 | 72 | 71 | 70 | 141 |
| **TOTAL INVESTOR** | | **5,694** | **440** | **6,134** | **7,130** | **452** | **7,582** |
| **TOTAL** | | **12,028** | **14,111** | **26,139** | **11,638** | **13,517** | **25,155** |

(*) *Based on the predominant asset category 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.*

### TABLE 49: SECURITISATION POSITIONS, EXPOSURE IN DEFAULT AND PROVISIONS BY UNDERLYING ASSET'S GEOGRAPHICAL REGION(*)

| In millions of euros | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | EAD | EAD in default | | | Specific provisions |
| | | Standardised approach | IRB approach | Total | |
| 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** |

| In millions of euros | 31 December 2015 | | | | |
|---|---|---|---|---|---|
| | EAD | EAD in default | | | Specific provisions |
| | | Standardised approach | IRB approach | Total | |
| Europe | 10,538 | 22 | 199 | 221 | 69 |
| North America | 13,641 | 0 | 28 | 28 | 5 |
| Asia Pacific | 582 | - | 0 | 0 | 0 |
| Rest of the world | 395 | - | 2 | 2 | 2 |
| **TOTAL** | **25,155** | **22** | **229** | **251** | **77** |

(*) *This breakdown is based on the predominant underlying asset of the securitisation.*

Provisions on a portfolio basis totalled EUR 66 million at 31 December 2016, compared with EUR 100 million at 31 December 2015.

### TABLE 50: BANKING BOOK SECURITISATION POSITION QUALITY

| *In millions of euros* | Securitisation positions held or acquired (EAD) | |
|---|---|---|
| **Tranche quality** | **31 December 2016** | **31 December 2015** |
| Senior tranche | 25,272 | 24,158 |
| Mezzanine tranche | 618 | 650 |
| First-loss tranche | 250 | 347 |
| **TOTAL** | **26,139** | **25,155** |

At 31 December 2016, 97% of the securitisation positions held or acquired by the Group were senior tranches, compared with 96% at 31 December 2015, 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 of 26 June 2013. In a small number of cases, a look-through approach may be applied. Securitisation positions rated B+ or lower or without an external rating are given a risk weighting of 1,250%. 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, a 1,250% risk weight is applied.

At 31 December 2016, the IRB Approach is used for positions held by CIB, French Retail Banking, BNL bc and BNP Paribas Fortis.

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 51: SECURITISATION POSITIONS AND RISK-WEIGHTED ASSETS BY APPROACH

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | | 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 | 25,344 | 7,708 | 24,539 | 11,905 | 804 | (4,197) |
| Standardised | 795 | 755 | 616 | 720 | 179 | 35 |
| **TOTAL** | **26,139** | **8,463** | **25,155** | **12,625** | **984** | **(4,162)** |

Risk-weighted assets corresponding to securitisation positions held or acquired by the Group amounted to EUR 8.5 billion at 31 December 2016, or 1.3% of BNP Paribas total risk-weighted assets, compared with EUR 12.6 billion at 31 December 2015 (2.0% of Group total risk-weighted assets).

### ➤ TABLE 52 : SECURITISATION RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER

| **RWAs** *In millions of euros* | **31 December 2015** | Key driver | | | | | | **Total variation** | **31 December 2016** |
|---|---|---|---|---|---|---|---|---|---|
| | | **Currency** | **Volume** | **Parameters** | **Perimeter** | **Method** | **Other** | | |
| Securitisation | 12,625 | (84) | (4,211) | (645) | - | 25 | 753 | (4,162) | 8,463 |

The decline in securitisation risk-weighted assets was attributable mostly to divestments or amortisation of programmes (EUR 4 billion decrease), mainly on the portfolio in run-off management. The positions conserved on the Group's 2016 securitisation programme generated an increase of EUR 0.7 billion in risk-weighted assets in column "other".

## TABLE 53: SECURITISATION POSITIONS AND RISK-WEIGHTED ASSETS BY RISK WEIGHT

### *IRB approach*

| *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** |

| *In millions of euros* | 31 December 2015 | | | |
|---|---|---|---|---|
| | EAD | | RWAs | |
| Risk weight | Securitisation positions | Re-securitisation positions | Securitisation positions | Re-securitisation positions |
| 7% – 10% | 5,272 | | 431 | |
| 12% – 18% | 635 | | 142 | |
| 20% – 35% | 248 | 538 | 61 | 179 |
| 40% – 75% | 94 | 9 | 9 | 13 |
| 100% | 101 | 6 | 75 | 7 |
| 150% | | 24 | | 45 |
| 225% | | 198 | | 1,175 |
| 250% | 23 | | 23 | 0 |
| 350% | | 11 | | 41 |
| 425% | 120 | | 294 | |
| 500% | | 9 | | 46 |
| 650% | 46 | | 310 | |
| 850% | | 43 | | 242 |
| **External ratings based method** | **6,539** | **838** | **1,345** | **1,746** |
| **1,250%** | **152** | **451** | **1,136** | **5,607** |
| **Internal Assessment Approach (IAA)** | **500** | **0** | **46** | **0** |
| [0 – 7%] | 7,369 | | 419 | |
| ]7% – 100%] | 8,408 | 19 | 851 | 5 |
| ]100% – 350%] | 11 | 170 | 0 | 368 |
| ]350% – 1,250%] | 83 | | 381 | |
| **Supervisory Formula Approach** | **15,870** | **189** | **1,651** | **373** |
| **TOTAL** | **23,062** | **1,478** | **4,178** | **7,727** |

Out of the EUR 5.7 billion of securitisation positions with an external rating:

- 78% of EAD was rated above A+ and therefore had a risk weight of less than 10% at 31 December 2016, compared with 71% at 31 December 2015;
- the vast majority (91% of EAD) was rated above BBB+ at 31 December 2016 (stable compared with at 31 December 2015).

### Standardised approach

| *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** | **-** |

| *In millions of euros* | 31 December 2015 | | | |
|---|---|---|---|---|
| | EAD | | RWAs | |
| Risk weight | Securitisation positions | Re-securitisation positions | Securitisation positions | Re-securitisation positions |
| 20% | 236 | | 47 | |
| 40% | | | | |
| 50% | 80 | | 40 | |
| 100% | 173 | | 173 | |
| 225% | | | | |
| 350% | 29 | | 101 | |
| **External ratings based method** | **517** | | **361** | |
| **1,250%** | **16** | | **206** | |
| **Weighted average method** | **82** | | **153** | |
| **TOTAL** | **616** | **-** | **720** | **-** |

Guarantees on securitisation positions amounted to EUR 0.3 billion as at 31 December 2016, compared with EUR 0.2 billion as at 31 December 2015.

# 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. Counterparty risk arises both from both bilateral activities of BNP Paribas with clients and clearing activities through a clearing house or an external clearer.

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 – Standardised approach

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 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 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.

## CREDIT VALUATION ADJUSTMENTS

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.

Counterparty risk exposures on derivative instruments cover all derivative portfolio exposures of BNP Paribas, all underlyings and all business lines combined. Exposure of Fixed Income Credit and Commodities (G10 Rates, Credit, FX and local markets) account for the majority of these exposures.

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 may use a dynamic hedging strategy, involving the purchase of market instruments such as credit derivative instruments.

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 new 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 the advanced method and relies on the Bank's model on market risk (see Table 63).

## 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 and shocks.

Such risk analysis is present within the 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 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 54: COUNTERPARTY CREDIT RISK EXPOSURE AT DEFAULT BY ASSET CLASS (EXCL. CCP AND CVA CHARGES)

| EAD<br>*In millions of euros* | 31 December 2016 | | | 31 December 2015 | | | Variation |
|---|---|---|---|---|---|---|---|
| | IRBA | Standardised approach | Total | IRBA | Standardised approach | Total | Total |
| Central governments and central banks | 32,657 | 11 | 32,668 | 22,377 | 1 | 22,378 | 10,290 |
| Corporates | 73,754 | 948 | 74,702 | 64,031 | 795 | 64,825 | 9,876 |
| Institutions(*) | 32,888 | 559 | 33,447 | 30,608 | 554 | 31,162 | 2,285 |
| Retail | 2 | 11 | 13 | 1 | 8 | 9 | 3 |
| **TOTAL** | **139,301** | **1,528** | **140,829** | **117,016** | **1,358** | **118,374** | **22,455** |

*(*) 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 counterparty credit risk, the share of exposures under the IRB approach represents 99% at 31 December 2016, stable compared with 31 December 2015.

## EXPOSURES AT DEFAULT

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 market price valuation method (Net Present Value + Add-On).

In order to provide a better vision of cleared and non-cleared perimeters, the following table summarises, in terms of exposures, the part of each pair (category, perimeter) in percentage of the total excluding CVA. 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 statements.

### ➤ TABLE 55: COUNTERPARTY CREDIT RISK EXPOSURE AT DEFAULT BY PRODUCT

| EAD *In millions of euros* | 31 December 2016 | | | | | 31 December 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Counterparty credit risk (excl. CCP and CVA charges) | | CCP(*) | | Total | Counterparty credit risk (excl. CCP and CVA charges) | | CCP(*) | | Total |
| OTC derivatives | 94,646 | 93.3% | 6,908 | 6.7% | 101,554 | 88,981 | 95.6% | 4,100 | 4.4% | 93,081 |
| Securities Financing Transactions | 46,183 | 86.6% | 7,157 | 13.4% | 53,340 | 29,393 | 87.2% | 4,323 | 12.8% | 33,716 |
| Listed derivatives | | | 46,920 | 100.0% | 46,920 | | | 34,938 | 100.0% | 34,938 |
| **TOTAL** | **140,829** | **69.8%** | **60,986** | **30.2%** | **201,815** | **118,374** | **73.2%** | **43,361** | **26.8%** | **161,735** |

*(*) Excl. default fund contribution of EUR 2.7 billion as at 31 December 2016.*

For the perimeter covered by the internal model for bilateral activities (i.e. excluding clearing), the EAD was up by EUR 22 billion. This change is largely attributable to the appreciation of the dollar and hence the euro-denominated exposure of derivative positions, new repo and lending/borrowing transactions and an increase in the specific wrong way risk with existing counterparties.

### ➤ TABLE 56: COUNTERPARTY CREDIT RISK EXPOSURE AT DEFAULT BY APPROACH (EXCL. CCP AND CVA CHARGES)

| | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Internal model (EEPE)(*) | | | NPV(**) + Add-On | | | |
| *In millions of euros* | IRBA | Standardised approach | Sub-total | IRBA | Standardised approach | Sub-total | Total |
| Derivatives | 93,038 | 20 | 93,057 | 90 | 1,499 | 1,589 | 94,646 |
| Securities financing transactions and deferred settlement transactions | 46,173 | 9 | 46,183 | 0 | 0 | 0 | 46,183 |
| **TOTAL** | **139,211** | **29** | **139,240** | **90** | **1,499** | **1,589** | **140,829** |

| | 31 December 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Internal model (EEPE)(*) | | | NPV(**) + Add-On | | | |
| *In millions of euros* | IRBA | Standardised approach | Sub-total | IRBA | Standardised approach | Sub-total | Total |
| Derivatives | 87,546 | 1 | 87,547 | 77 | 1,357 | 1,434 | 88,981 |
| Securities financing transactions and deferred settlement transactions | 29,380 | 0 | 29,380 | 13 | 0 | 13 | 29,393 |
| **TOTAL** | **116,926** | **1** | **116,927** | **91** | **1,357** | **1,448** | **118,374** |

*(*) Effective Expected Positive Exposure.*
*(**) Net Present Value.*

Collateral guarantees used in the standardised approach to reduce the EAD totalled EUR 658 million at 31 December 2016, compared with EUR 540 million at 31 December 2015.

Risk-weighted assets linked to counterparty credit risk are computed by multiplying EAD by an appropriate weighting according to the approach used (standardised or IRB).

As a general rule, when EAD is modelled and weighted according to the IRB Approach, the LGD (Loss Given Default) is not adjusted according to the existing collateral received since they are already taken into account in the "Effective Expected Positive Exposure" computation.

The table below presents the distribution of OTC derivatives portfolio by rating. For each element, the table gives the part of netted transactions.

## ➤ TABLE 57: COUNTERPARTY CREDIT RISK EXPOSURE AT DEFAULT BY RATING

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Distribution of EAD | of which netted transactions | Distribution of EAD | of which netted transactions |
| AAA | 9% | 98% | 12% | 97% |
| AA | 46% | 90% | 46% | 90% |
| A | 19% | 91% | 14% | 85% |
| BBB | 10% | 92% | 10% | 84% |
| BB | 6% | 78% | 7% | 75% |
| B | 5% | 84% | 6% | 79% |
| Others | 4% | 86% | 4% | 82% |

With respect to the OTC derivatives portfolio at 31 December 2016, the share of collateralised transactions represents nearly 75% of the total in number of transactions.

## TABLE 58: EU CCR4 – IRBA COUNTERPARTY CREDIT RISK EXPOSURE AT DEFAULT (EXCL. CCP AND CVA CHARGES)

This table is based on the model EU CCR4 table in the EBA's Pillar 3 Guidelines (EBA/GL/2016/11 of 14 December 2016).

| *In millions of euros* | | 31 December 2016 | | | | |
|---|---|---|---|---|---|---|
| | | a | b | d | f | g |
| | PD range | EAD | Average PD | Average LGD | RWAs | Average RW |
| Central governments or central banks | 0.00 to < 0.15% | 32,369 | 0.02% | 1% | 136 | 0% |
| | 0.15 to < 0.25% | 18 | 0.16% | 20% | 2 | 12% |
| | 0.25 to < 0.50% | 73 | 0.46% | 50% | 61 | 84% |
| | 0.50 to < 0.75% | 2 | 0.69% | 50% | 1 | 73% |
| | 0.75 to < 2.50% | 65 | 2.08% | 45% | 73 | 112% |
| | 2.50 to < 10.0% | 5 | 4.01% | 50% | 7 | 147% |
| | 10.0 to < 100% | 126 | 21.81% | 60% | 450 | 358% |
| | 100% (default) | - | - | | - | - |
| | **Sub-total** | **32,657** | **0.11%** | **2%** | **731** | **2%** |
| Institutions | 0.00 to < 0.15% | 28,670 | 0.05% | 23% | 2,226 | 8% |
| | 0.15 to < 0.25% | 1,773 | 0.18% | 39% | 578 | 33% |
| | 0.25 to < 0.50% | 1,497 | 0.36% | 49% | 909 | 61% |
| | 0.50 to < 0.75% | 290 | 0.69% | 56% | 287 | 99% |
| | 0.75 to < 2.50% | 440 | 1.43% | 64% | 625 | 142% |
| | 2.50 to < 10.0% | 184 | 3.64% | 65% | 400 | 218% |
| | 10.0 to < 100% | 34 | 13.31% | 58% | 103 | 299% |
| | 100% (defaults) | 1 | 100.00% | | 0 | 0% |
| | **Sub-total** | **32,888** | **0.13%** | **26%** | **5,129** | **16%** |
| Corporates | 0.00 to < 0.15% | 54,294 | 0.05% | 29% | 5,239 | 10% |
| | 0.15 to < 0.25% | 7,144 | 0.17% | 31% | 1,793 | 25% |
| | 0.25 to < 0.50% | 4,621 | 0.36% | 44% | 2,549 | 55% |
| | 0.50 to < 0.75% | 1,884 | 0.69% | 33% | 1,203 | 64% |
| | 0.75 to < 2.50% | 3,281 | 1.39% | 50% | 3,792 | 116% |
| | 2.50 to < 10.0% | 2,011 | 4.34% | 46% | 3,009 | 150% |
| | 10.0 to < 100% | 325 | 17.06% | 27% | 455 | 140% |
| | 100% (defaults) | 194 | 100.00% | | 0 | 0% |
| | **Sub-total** | **73,754** | **0.61%** | **32%** | **18,039** | **24%** |
| Retail | **Sub-total** | **1** | **n.s.** | **n.s.** | **1** | **n.s.** |
| | **TOTAL** | **139,301** | **0.38%** | **23%** | **23,901** | **17%** |

| | | | | | | 31 December 2015 proforma |
|---|---|---|---|---|---|---|
| | | a | b | d | f | g |
| *In millions of euros* | PD scale | EAD | Average PD | Average LGD | RWAs | RWA density |
| Central governments or central banks | 0.00 to < 0.15% | 22,004 | 0.03% | 2% | 127 | 1% |
| | 0.15 to < 0.25% | 12 | 0.16% | 20% | 1 | 12% |
| | 0.25 to < 0.50% | 146 | 0.44% | 50% | 100 | 69% |
| | 0.50 to < 0.75% | 0 | 0.50% | 50% | 0 | 115% |
| | 0.75 to < 2.50% | 54 | 2.07% | 45% | 67 | 122% |
| | 2.50 to < 10.0% | 22 | 5.65% | 21% | 14 | 65% |
| | 10.0 to < 100% | 131 | 26.17% | 60% | 477 | 363% |
| | 100% (defaults) | 8 | 100.00% | | 0 | 0% |
| | **Sub-total** | **22,377** | **0.23%** | **2%** | **786** | **4%** |
| Institutions | 0.00 to < 0.15% | 26,158 | 0.05% | 21% | 1,917 | 7% |
| | 0.15 to < 0.25% | 1,662 | 0.18% | 41% | 503 | 30% |
| | 0.25 to < 0.50% | 1,293 | 0.36% | 52% | 797 | 62% |
| | 0.50 to < 0.75% | 766 | 0.72% | 23% | 330 | 43% |
| | 0.75 to < 2.50% | 517 | 1.45% | 56% | 667 | 129% |
| | 2.50 to < 10.0% | 153 | 3.75% | 64% | 327 | 214% |
| | 10.0 to < 100% | 48 | 21.16% | 60% | 166 | 348% |
| | 100% (defaults) | 12 | 100.00% | | 0 | 0% |
| | **Sub-total** | **30,608** | **0.20%** | **25%** | **4,707** | **15%** |
| Corporates | 0.00 to < 0.15% | 45,077 | 0.05% | 29% | 4,395 | 10% |
| | 0.15 to < 0.25% | 5,447 | 0.17% | 38% | 1,634 | 30% |
| | 0.25 to < 0.50% | 5,414 | 0.35% | 37% | 2,488 | 46% |
| | 0.50 to < 0.75% | 1,787 | 0.69% | 40% | 1,194 | 67% |
| | 0.75 to < 2.50% | 3,800 | 1.33% | 41% | 3,595 | 95% |
| | 2.50 to < 10.0% | 1,835 | 4.08% | 45% | 2,584 | 141% |
| | 10.0 to < 100% | 418 | 18.58% | 43% | 946 | 226% |
| | 100% (defaults) | 253 | 100.00% | | 0 | 0% |
| | **Sub-total** | **64,031** | **0.81%** | **32%** | **16,836** | **26%** |
| Retail | **Sub-total** | **1** | **n.s.** | **n.s.** | **1** | **n.s.** |
| | **TOTAL** | **117,016** | **0.54%** | **24%** | **22,330** | **19%** |

### ➤ TABLE 59: EU CCR3 – STANDARDISED COUNTERPARTY CREDIT RISK EXPOSURE AT DEFAULT (EXCL. CCP AND CVA CHARGES)

This table is based on the model EU CCR3 table in the EBA's Pillar 3 Guidelines (EBA/GL/2016/11 of 14 December 2016).

| *In millions of euros* | | | | | | | | 31 December 2016 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | EAD | |
| Risk weight | 0% | 20% | 35% | 50% | 75% | 100% | 150% | Total | RWAs |
| Central governments or central banks | | | | 4 | | 7 | | 11 | 9 |
| Corporates | | 473 | | 62 | | 24 | | 559 | 149 |
| Institutions | | | | 0 | | 927 | 20 | 948 | 958 |
| Retail | | | | | 11 | | | 11 | 8 |
| **TOTAL** | **-** | **473** | **-** | **66** | **11** | **958** | **20** | **1,528** | **1,124** |

| *In millions of euros* | | | | | | | | 31 December 2015 Proforma | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | EAD | |
| Risk weight | 0% | 20% | 35% | 50% | 75% | 100% | 150% | Total | |
| Central governments or central banks | | | | 0 | | 1 | | 1 | 1 |
| Corporates | | 486 | | 39 | | 29 | | 554 | 146 |
| Institutions | | | | | | 769 | 25 | 795 | 807 |
| Retail | | | | | 8 | | | 8 | 6 |
| **TOTAL** | **-** | **486** | **-** | **39** | **8** | **799** | **25** | **1,358** | **960** |

## CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

Counterparty credit risk-weighted assets reflect three regulatory requirements:

### ➤ TABLE 60: COUNTERPARTY CREDIT RISK CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

| *In millions of euros* | RWAs | | | Capital requirements | | |
|---|---|---|---|---|---|---|
| | 31 December 2016 | 31 December 2015 | Variation | 31 December 2016 | 31 December 2015 | Variation |
| Central Counterparty (CCP) | 3,796 | 2,432 | 1,363 | 304 | 195 | 109 |
| CVA charge | 4,347 | 3,507 | 840 | 348 | 281 | 67 |
| Counterparty credit risk – excl. CCP and CVA charges | 25,025 | 23,289 | 1,736 | 2,002 | 1,863 | 139 |
| *Central governments and central banks* | *739* | *787* | *(47)* | *59* | *63* | *(4)* |
| *Corporates* | *18,997* | *17,643* | *1,354* | *1,520* | *1,411* | *108* |
| *Institutions* | *5,279* | *4,852* | *426* | *422* | *388* | *34* |
| *Retail* | *10* | *7* | *3* | *1* | *1* | *-* |
| **COUNTERPARTY CREDIT RISK** | **33,168** | **29,228** | **3,940** | **2,653** | **2,338** | **315** |

## TABLE 61: COUNTERPARTY CREDIT RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER

| RWAs *In millions of euros* | 31 December 2015 | Key driver | | | | | | Total variation | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|
| | | Currency | Volume | Parameters | Perimeter | Method | Other | | |
| Counterparty credit risk | 29,228 | (4) | 3,287 | (1,467) | 0 | 1,462 | 661 | 3,940 | 33,168 |

Counterparty risk-weighted assets increased EUR 4 billion, mainly in line with the EUR 3 billion increase in volumes in particular on clearing and with a EUR 1 billion increase following an update to the Corporates model, partially offset by the EUR 1 billion drop from changes in market parameters.

### Counterparty credit risk for exposures to a central counterparty for clearing activities

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 BNP Paribas's exposure to clearing houses;
- a charge resulting from its exposure to clients (in the context of client clearing);
- a charge resulting from BNP Paribas's exposure to external clearers, when BNP Paribas is not a clearing member of the CCP.

The table below presents the breakdown of the clearing CCR charge between each of these elements:

## TABLE 62: CCP CHARGE

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | RWAs | Capital requirements | RWAs | Capital requirements |
| Central counterparties (CCP) | 2,649 | 212 | 1,676 | 134 |
| External clients | 1,066 | 85 | 694 | 56 |
| External clearing members | 81 | 6 | 62 | 5 |
| **TOTAL** | **3,796** | **304** | **2,432** | **195** |

### Credit valuation adjustment risk (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 63: CVA RISK CAPITAL CHARGE

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | RWAs | Capital requirements | RWAs | Capital requirements |
| **Standardised approach** | **303** | **24** | **528** | **42** |
| **Advanced approach** | **4,044** | **324** | **2,979** | **238** |
| CVA VaR charge | 898 | 72 | 596 | 48 |
| CVA SVaR charge | 3,146 | 252 | 2,383 | 191 |
| **TOTAL** | **4,347** | **348** | **3,507** | **281** |

### Bilateral counterparty credit risk

The capital requirements for exposure to counterparty risk, excluding CCP and CVA, correspond to the capital requirements for exposure to bilateral counterparty credit risk. It is computed on the non-cleared part of the OTC derivatives and securities financing transactions portfolio. This charge is the maximum of the charge computed from current EADs and of the one computed from the stressed EADs.

The following table presents the split of the bilateral CCR charge between OTC Derivatives and SFT:

➤ **TABLE 64: COUNTERPARTY CREDIT RISK (EXCL. CCP AND CVA CHARGES) BY PRODUCT**

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| *In millions of euros* | RWAs | Capital requirements | RWAs | Capital requirements |
| OTC Derivatives | 22,251 | 1,780 | 21,257 | 1,701 |
| Securities financing transactions and deferred settlement transactions | 2,775 | 222 | 2,033 | 163 |
| **TOTAL** | **25,025** | **2,002** | **23,289** | **1,863** |

## NOTIONAL AMOUNT OF DERIVATIVE INSTRUMENTS

(See note 4.a to the consolidated financial statements: *Notes to the balance sheet at 31 December 2016*).

# 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 risk of loss on equity holdings on the one hand, and the interest rate and foreign exchange risks stemming from banking intermediation activities on the other hand.

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 risk of loss on equity holdings on the one hand, and the interest rate and foreign exchange risks stemming from banking intermediation activities on the other hand.

The table below presents the split of BNP Paribas balance sheet between trading book and banking book.

## ➤ TABLE 65: PRUDENTIAL BALANCE SHEET SPLIT BY TRADING AND BANKING BOOKS

| | 31 December 2016 | | |
|---|---|---|---|
| *In millions of euros* | Prudential balance sheet | Trading book | Banking book |
| **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 | 122,573 | 1,106 |
| Loans and repurchase agreements | 157,587 | 157,120 | 467 |
| Instruments designated as at fair value through profit or loss | 1,413 | | 1,413 |
| Derivative financial instruments | 327,884 | 326,667 | 1,217 |
| Derivatives used for hedging purposes | 18,083 | | 18,083 |
| Available-for-sale financial assets | 157,686 | | 157,686 |
| Loans and receivables due from credit institutions | 42,902 | | 42,902 |
| Loans and receivables due from customers | 718,401 | | 718,401 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,664 | | 4,664 |
| Held-to-maturity financial assets | 554 | | 554 |
| Other assets | 164,589 | | 164,589 |
| **TOTAL ASSETS** | **1,878,087** | **606,360** | **1,271,727** |
| **Liabilities** | | | |
| Due to central banks | 233 | | 233 |
| Financial instruments at fair value through profit or loss | | | |
| Trading securities | 70,303 | 70,273 | 30 |
| Borrowings and repurchase agreements | 183,206 | 183,204 | 2 |
| Instruments designated as at fair value through profit or loss | 53,430 | | 53,430 |
| Derivative financial instruments | 318,389 | 317,324 | 1,065 |
| Derivatives used for hedging purposes | 19,615 | | 19,615 |
| Due to credit institutions | 72,781 | | 72,781 |
| Due to customers | 765,180 | | 765,180 |
| Debt securities | 156,456 | | 156,456 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,202 | | 4,202 |
| Other liabilities | 129,219 | | 129,219 |
| **TOTAL LIABILITIES** | **1,773,014** | **570,801** | **1,202,213** |
| **TOTAL CONSOLIDATED EQUITY** | **105,073** | | **105,073** |
| **TOTAL LIABILITIES AND EQUITY** | **1,878,087** | **570,801** | **1,307,286** |

| *In millions of euros* | 31 December 2015 | | |
|---|---|---|---|
| | Prudential balance sheet | Trading book | Banking book |
| **Assets** | | | |
| Cash and amounts due from central banks | 134,673 | | 134,673 |
| Financial instruments at fair value through profit or loss | | | |
| Trading securities | 133,505 | 124,271 | 9,234 |
| Loans and repurchase agreements | 137,771 | 137,714 | 57 |
| Instruments designated as at fair value through profit or loss | 2,608 | | 2,608 |
| Derivative financial instruments | 336,578 | 333,834 | 2,744 |
| Derivatives used for hedging purposes | 17,971 | | 17,971 |
| Available-for-sale financial assets | 154,831 | | 154,831 |
| Loans and receivables due from credit institutions | 38,683 | | 38,683 |
| Loans and receivables due from customers | 689,021 | | 689,021 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,564 | | 4,564 |
| Held-to-maturity financial assets | 569 | | 569 |
| Other assets | 156,800 | | 156,800 |
| **TOTAL ASSETS** | **1,807,574** | **595,819** | **1,211,755** |
| **Liabilities** | | | |
| Due to central banks | 2,385 | | 2,385 |
| Financial instruments at fair value through profit or loss | | | |
| Trading securities | 82,548 | 77,404 | 5,144 |
| Borrowings and repurchase agreements | 156,771 | 156,769 | 2 |
| Instruments designated as at fair value through profit or loss | 51,855 | | 51,855 |
| Derivative financial instruments | 325,750 | 323,419 | 2,331 |
| Derivatives used for hedging purposes | 21,101 | | 21,101 |
| Due to credit institutions | 83,290 | | 83,290 |
| Due to customers | 701,229 | | 701,229 |
| Debt securities | 162,745 | | 162,745 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 3,946 | | 3,946 |
| Other liabilities | 116,022 | | 116,022 |
| **TOTAL LIABILITIES** | **1,707,642** | **557,592** | **1,150,050** |
| **TOTAL CONSOLIDATED EQUITY** | **99,932** | | **99,932** |
| **TOTAL LIABILITIES AND EQUITY** | **1,807,574** | **557,592** | **1,249,982** |

# CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS FOR MARKET RISK (EXCLUDING EQUITY RISK)

## TABLE 66: MARKET RISK CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

| *In millions of euros* | RWAs | | | Capital requirements | | |
|---|---|---|---|---|---|---|
| | 31 December 2016 | 31 December 2015 | Variation | 31 December 2016 | 31 December 2015 | Variation |
| **Internal model** | **20,766** | **21,039** | **(273)** | **1,661** | **1,683** | **(22)** |
| VaR | 6,415 | 7,714 | (1,299) | 513 | 617 | (104) |
| Stressed VaR | 8,933 | 8,590 | 343 | 715 | 687 | 27 |
| Incremental Risk Charge (IRC) | 4,420 | 3,849 | 571 | 354 | 308 | 46 |
| Comprehensive Risk Measure (CRM) | 998 | 886 | 112 | 80 | 71 | 9 |
| **Standardised approach** | **969** | **1,986** | **(1,017)** | **78** | **159** | **(81)** |
| **Trading book securitisation positions** | **794** | **739** | **56** | **64** | **59** | **4** |
| **TOTAL MARKET RISK** | **22,529** | **23,764** | **(1,235)** | **1,802** | **1,901** | **(99)** |

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*).

Equity risk-weighted assets are presented in section 5.7 Market risk related to banking activities.

## TABLE 67: MARKET RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER

| **RWAs** *In millions of euros* | 31 December 2015 | Key driver | | | | | | Total variation | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|
| | | Currency | Volume | Parameters | Perimeter | Method | Other | | |
| Market risk | 23,764 | - | (1,497) | 904 | (4) | 38 | (676) | (1,235) | 22,529 |

Market risk decreased by EUR 1 billion, due mostly to a decrease in VaR related to the hedging strategy implemented in anticipation of the UK referendum, and a drop in other drivers related to foreign exchange risk on the banking book.

# 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. As an exception to this principle, 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 two to three times a year per business line to monitor model approvals and reviews, follow up relevant recommendations and present model governance improvements.

## 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 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, certain 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 middle-office who 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. Activity specific guidelines are detailed in the model review guidelines documents for each product lines.

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. Research team and IT are responsible for the implementation of these models in the systems.

The independent control of the valuation models is under the responsibility of Risk and includes:

- the approval of models, 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. The review required by the approval decision can be fast track or comprehensive; in the latter case, the reasons and conditions of approval are detailed in a model approval document. If there is a need for a collective debate or for stakeholder information, a meeting of the Model Approval Committee can be called;
- 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 investigation on the suitability of the model used to value certain products in the context of a certain market environment;
- the control of the use and implementation of models, which is continuous control of the correct parameterisation or 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 premium for risks that cannot be diversified or hedged, as appropriate.

The reserves primarily cover:

- the bid-offer and liquidity spreads;
- concentration risk;
- the model or market parameters uncertainties;
- the elimination 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. IAS 39 requires 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, Business Line and Activity hence delegation exists from CMRC level right down to business heads. 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 analysis 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 – ERA (Enterprise Risk Architecture) 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 report 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;
- Credit Valuation Adjustment Reporting for coverage of the core CVA market and counterparty risk sensitivities.

### 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 only represents 4% of the total market risk capital requirement at 31 December 2016, 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 (one-day, 99%) [Audited]

The VaR set out below are calculated from an internal model, which uses parameters that comply with regulation in place. They are based on a one-day time horizon and a 99% confidence interval.

In 2016, total average VaR for BNP Paribas is EUR 34 million (with a minimum of EUR 20 million and a maximum of EUR 59 million), after taking into account the -EUR 46 million netting effect between the different types of risks. These amounts break down as follows:

#### ➤ TABLE 68.A: VALUE AT RISK (1-DAY, 99%)

| *In millions of euros* | Year to 31 Dec. 2016 | | | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|---|---|
| | Minimum | Average | Maximum | Last measure | Average | Last measure |
| Interest rate risk | 16 | 25 | 37 | 20 | 26 | 30 |
| Credit risk | 11 | 16 | 23 | 12 | 19 | 19 |
| Foreign exchange risk | 7 | 18 | 37 | 14 | 17 | 27 |
| Equity price risk | 7 | 14 | 35 | 16 | 17 | 15 |
| Commodity price risk | 4 | 6 | 10 | 4 | 8 | 5 |
| *Netting effect(*)* | | *(46)* | | *(37)* | *(49)* | *(52)* |
| **TOTAL VALUE AT RISK** | **20** | **34** | **59** | **29** | **38** | **44** |

(*) *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 quite markedly during the year following the protections implemented in anticipation of the UK referendum and held until the final quarter of 2016 (see Figure 9 hereafter).

Risk continuously tests the accuracy of its internal model through a variety of techniques, including 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.

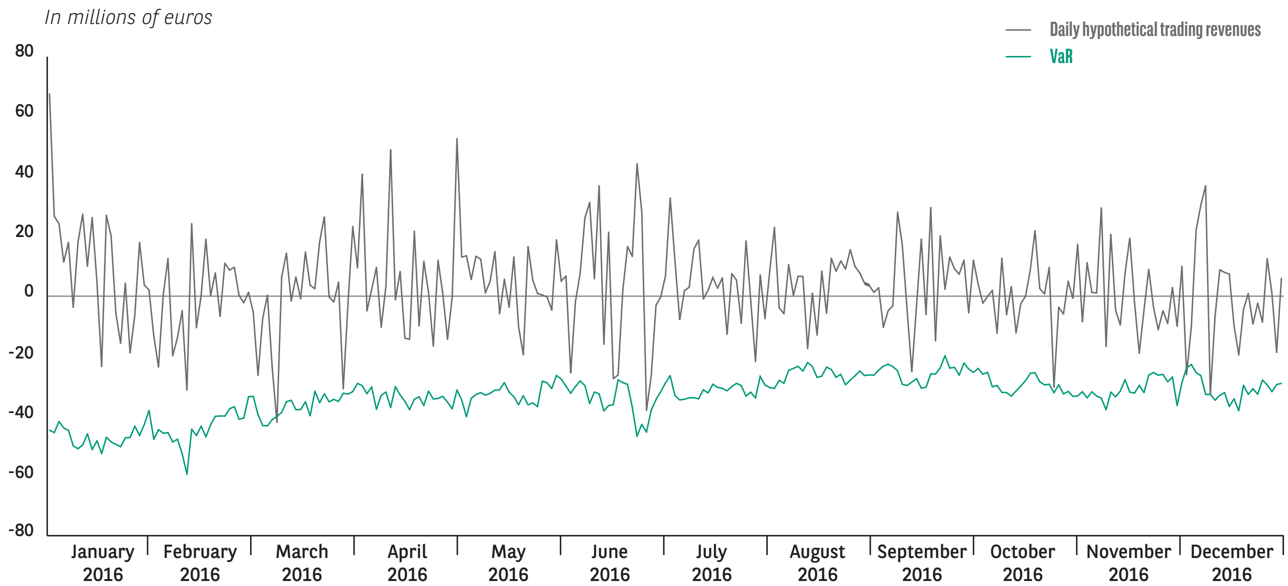
Two hypothetical backtesting events were recorded in 2016 (no actual backtesting event was observed), each in the context of a particular market situation:

- on 9 March 2016, the ECB announced the reduction of its three key rates;
- on 2 December 2016, in the context of a market dominated by waiting for the results of the Italian referendum on 4 December 2016.

In each case, the underlying losses only generated a backtesting event at the Group level (the business line level was not exceeded on the dates concerned).

(see Figure 8 hereafter).

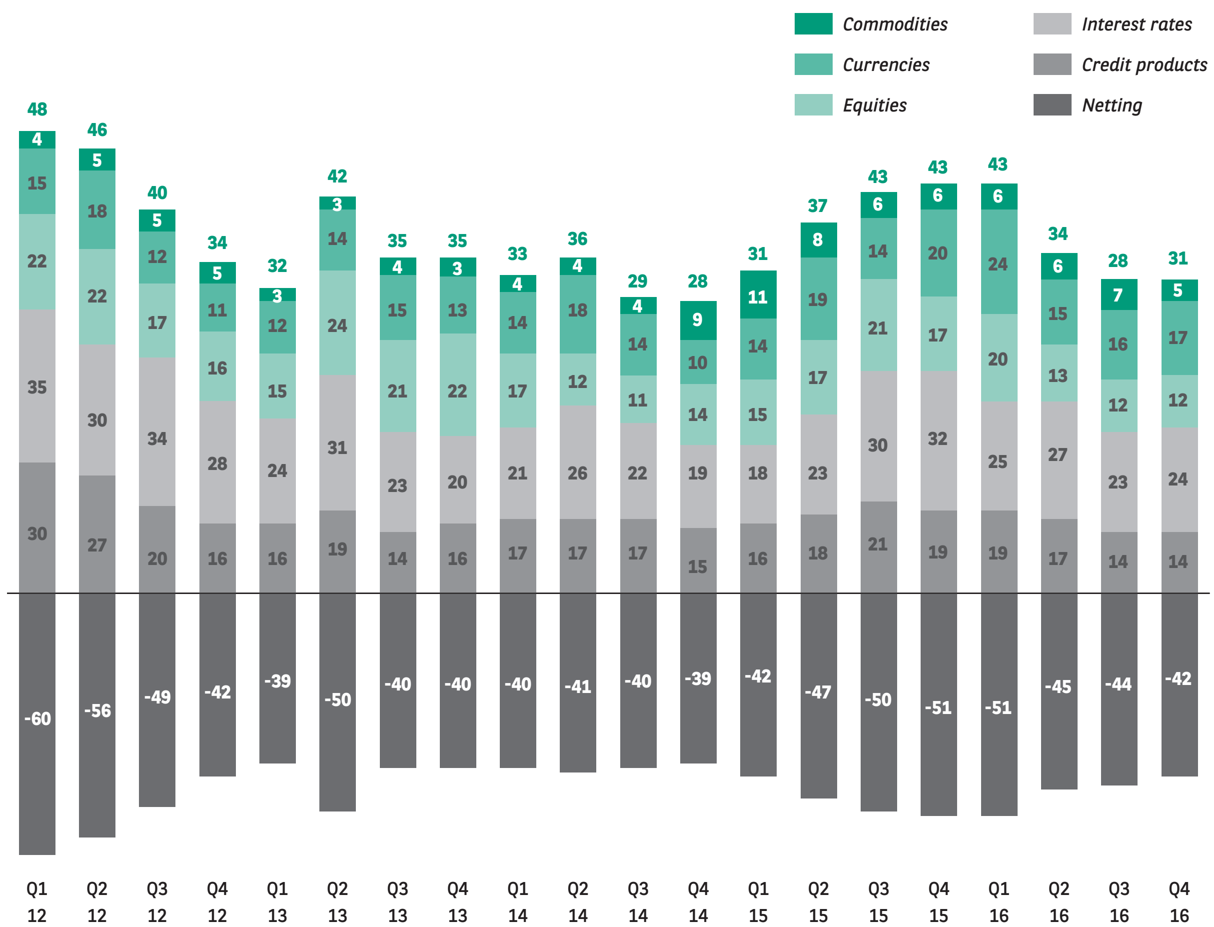
## ➤ FIGURE 8: COMPARISON BETWEEN VAR (1-DAY, 99%) AND DAILY TRADING REVENUE




## Quarterly change in VaR



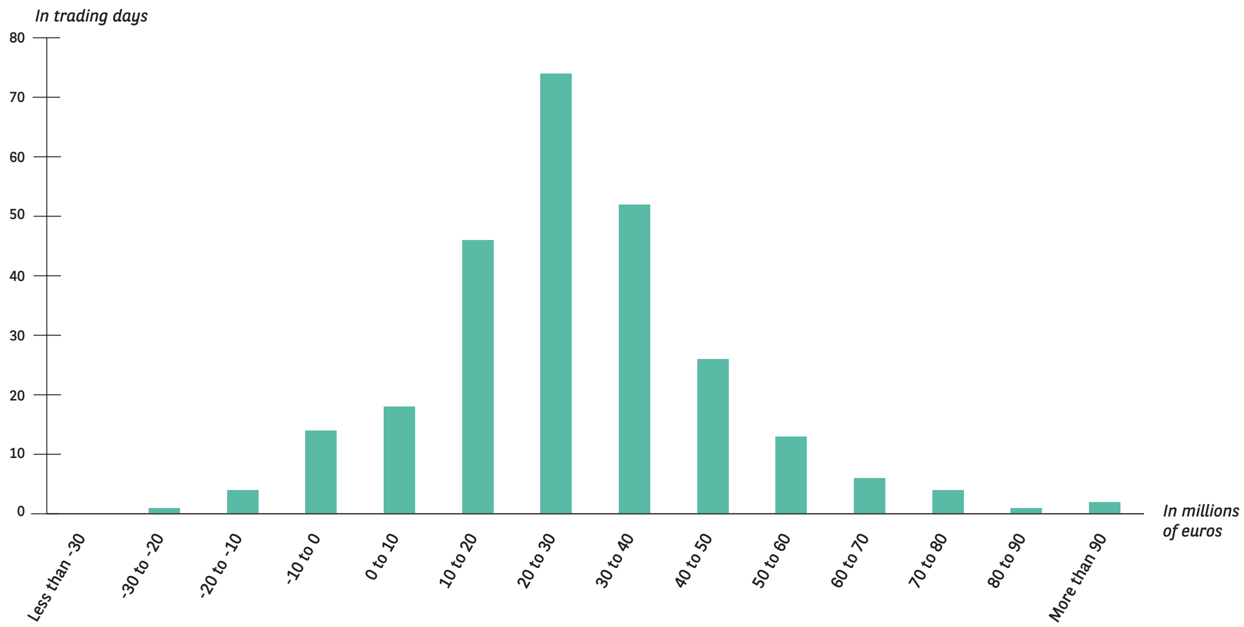
## ➤ FIGURE 9: QUARTERLY CHANGE IN VAR (1-DAY, 99%)



### 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 10: DISTRIBUTION OF DAILY TRADING REVENUE**




Trading activities generated an actual positive result for 93% of the trading days in 2016, *versus* 90% in 2015.

### Evolution of the VaR (ten-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. 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 2016, total average VaR (ten-day, 99%) for BNP Paribas is EUR 106 million (with a minimum of EUR 63 million and a maximum of EUR 188 million), after taking into account the -EUR 144 million netting effect between the different types of risks. These amounts break down as follows:

**TABLE 68.B: VALUE AT RISK (10-DAY, 99%)**

| | Year to 31 Dec. 2016 | | | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Minimum | Average | Maximum | Last measure | Average | Last measure |
| Interest rate risk | 51 | 78 | 117 | 65 | 82 | 96 |
| Credit risk | 34 | 51 | 73 | 37 | 59 | 59 |
| Foreign exchange risk | 22 | 57 | 116 | 44 | 53 | 86 |
| Equity price risk | 21 | 45 | 112 | 51 | 55 | 47 |
| Commodity price risk | 13 | 19 | 32 | 13 | 24 | 16 |
| *Netting effect(*)* | | *(144)* | | *(118)* | *(153)* | *(164)* |
| **TOTAL VALUE AT RISK** | **63** | **106** | **188** | **92** | **120** | **141** |

(*) *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 (SVaR)

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.

SVaR (1-day, 99%) followed a similar trend to VaR throughout 2016, also due to the hedging strategy implemented by Global Markets in anticipation of the UK referendum.

### ➤ TABLE 69.A: STRESSED VALUE AT RISK (1-DAY, 99%)

| | Year to 31 Dec. 2016 | | | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Minimum | Average | Maximum | Last measure | Average | Last measure |
| Stressed Value at Risk | 32 | 46 | 73 | 56 | 51 | 51 |

### ➤ TABLE 69.B: STRESSED VALUE AT RISK (10-DAY, 99%)

| | Year to 31 Dec. 2016 | | | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Minimum | Average | Maximum | Last measure | Average | Last measure |
| Stressed Value at Risk | 101 | 146 | 232 | 178 | 162 | 162 |



## 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.

### ➤ TABLE 70: INCREMENTAL RISK CHARGE CAPITAL REQUIREMENT

| | Year to 31 Dec. 2016 | | | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Minimum | Average | Maximum | Last measure | Average | Last measure |
| Incremental Risk Charge | 184 | 274 | 429 | 233 | 301 | 304 |

### 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.

#### ➤ TABLE 71: COMPREHENSIVE RISK MEASURE CAPITAL REQUIREMENT

| | Year to 31 Dec. 2016 | | | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Minimum | Average | Maximum | Last measure | Average | Last measure |
| Comprehensive Risk Measure | 44 | 70 | 147 | 80 | 77 | 71 |

### 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".

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. Capital calculations 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 2016 | | 31 December 2015 | |
| Asset category | Short positions | Long positions | Short positions | Long positions |
| Residential mortgages | | 53 | | 306 |
| Consumer loans | | 16 | | |
| Credit card receivables | | 35 | | 31 |
| Loans to corporates | | 0 | | 2 |
| Finance leases | | 89 | | 193 |
| Other assets | | 77 | | 32 |
| **TOTAL BALANCE SHEET** | | **270** | | **563** |
| Residential mortgages | | 22 | | 66 |
| Loans to corporates | | 252 | 23 | 485 |
| **TOTAL OFF-BALANCE SHEET** | | **274** | **23** | **550** |
| **TOTAL** | **-** | **543** | **23** | **1,114** |

## ➤ TABLE 73: QUALITY OF TRADING BOOK SECURITISATION POSITIONS OUTSIDE CORRELATION BOOK

| *In millions of euros* | Securitisation positions | | | |
|---|---|---|---|---|
| | 31 December 2016 | | 31 December 2015 | |
| Tranche quality | Short positions | Long positions | Short positions | Long positions |
| Senior tranche | | 325 | 23 | 756 |
| Mezzanine tranche | | 176 | | 347 |
| First-loss tranche | | 42 | | 10 |
| **TOTAL** | **-** | **543** | **23** | **1,114** |

## ➤ TABLE 74: BREAKDOWN OF TRADING BOOK SECURITISATION POSITIONS OUTSIDE CORRELATION BOOK BY RISK WEIGHT

| *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 | 0 | 501 | | 22 | 22 |
| 1,250% | | | | 42 | | 42 | | 42 | 42 |
| **TOTAL** | **-** | **-** | **-** | **543** | **0** | **543** | **-** | **64** | **64** |

| *In millions of euros* | 31 December 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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% | 23 | | 23 | 706 | | 706 | 0 | 6 | 6 |
| 12% – 18% | 0 | | | 143 | | 143 | 0 | 2 | 2 |
| 20% – 35% | 1 | | 1 | 112 | 0 | 112 | 0 | 2 | 2 |
| 40% – 75% | | | | 35 | | 35 | | 3 | 3 |
| 100% | | | | 73 | | 73 | | 21 | 21 |
| 250% | | | | 2 | | 2 | | 0 | 0 |
| 425% | | | | 28 | | 28 | | 12 | 12 |
| 650% | | | | 8 | | 8 | | 4 | 4 |
| **External ratings based method** | **23** | | **23** | **1,106** | **0** | **1,106** | **0** | **51** | **51** |
| **1,250%** | | **0** | **0** | **8** | | **8** | **0** | **8** | **8** |
| **TOTAL** | **23** | **0** | **23** | **1,114** | **0** | **1,114** | **0** | **59** | **59** |

## 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 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. These official global stress scenarios are presented at each Capital Markets Risk Committee along with the adverse scenario 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 official 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 ALM Treasury Department. At Group level, ALM Treasury reports directly to the Chief Operating Officer in charge of the functions. Group ALM Treasury has functional authority over the ALM Treasury staff of each entity or group of entities. 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 equity and foreign exchange risks give rise to a weighted assets calculation under Pillar 1. The interest rate risk falls under Pillar 2.

### EQUITY RISK

The following table gives a breakdown of the Group's equity risk exposures by investment objective.



➤ **TABLE 75: EQUITY RISK EXPOSURE BY INVESTMENT OBJECTIVE**

| Exposures *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Strategic objective | 8,815 | 8,527 |
| Medium term return on investment objective | 5,268 | 5,722 |
| Equity investments related to business | 7,931 | 7,876 |
| **TOTAL** | **22,014** | **22,125** |

Exposures at 31 December 2016 amounted to EUR 22.0 billion, versus EUR 22.1 billion at 31 December 2015. Insurance entities are allocated in accordance with the strategic management objective. Off-balance sheet items totalled EUR 2.6 billion at 31 December 2016, up from EUR 1.8 billion at 31 December 2015, including the liquidation value guarantees given to fund unit holders for EUR 1.9 billion at 31 December 2016, compared with EUR 1.2 billion one year earlier.

#### Exposure [Audited]

#### 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.

#### 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*.

### TABLE 76: EQUITY RISK EXPOSURE BY APPROACH

| Exposures *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Simple weighting method** | **15,793** | **16,234** |
| Private equity exposures in diversified portfolios | 3,059 | 2,593 |
| Listed equities | 2,959 | 2,962 |
| Other equity exposures | 9,776 | 10,679 |
| **Standardised approach** | **6,220** | **5,890** |
| **TOTAL** | **22,014** | **22,125** |

## Risk-weighted assets

Equity risk is calculated according to the simple weighting method, which gives the following weightings:

- private equity exposures in diversified portfolios: 190%;
- listed securities: 290%;
- unlisted securities, non-diversified portfolio: 370%.

Significant financial interests, included within the scope of article 48 (2) of Regulation (EU) No. 575/2013, are assigned a flat 250% weighting. These interests relate to available-for-sale securities in credit or financial institutions and insurance companies in which the Group holds a stake of more than 10%, as well as credit or financial institutions consolidated under the equity-method.

### TABLE 77: EQUITY RISK-WEIGHTED ASSETS

| RWAs *In millions of euros* | 31 December 2016 | 31 December 2015 | Variation |
|---|---|---|---|
| **Simple weighting method** | **45,175** | **48,260** | **(3,084)** |
| Private equity in diversified portfolios | 4,157 | 3,484 | 673 |
| Listed equities | 6,709 | 6,820 | (111) |
| Other equity exposures | 34,309 | 37,956 | (3,647) |
| **Standardised approach** | **9,523** | **9,819** | **(296)** |
| **EQUITY RISK** | **54,698** | **58,079** | **(3,381)** |

### TABLE 78: EQUITY RISK-WEIGHTED ASSETS MOVEMENTS BY KEY DRIVER

| RWAs *In millions of euros* | 31 December 2015 | Key driver | | | | | | Total variation | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|---|
| | | Currency | Volume | Parameters | Perimeter | Method | Other | | |
| Equity Risk | 58,079 | - | (3,607) | (4) | 285 | (65) | 10 | (3,381) | 54,698 |

Equity risk fell by EUR 3 billion. The sale of Visa Europe shares contributed EUR 1 billion to this decline.

## 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 the Standardised Approach line of Table 66.

### Foreign exchange risk and hedging of net income generated in foreign currencies [Audited]

The Group's exposure to operational foreign exchange risks stems from the net income in currencies other than the euro. The Group's policy is to hedge the variability of its net income due to currency movements. Revenues generated locally in a currency other than the operation's functional currency 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 Group's currency position on investments in foreign operations arises mainly on branch capital allocations and equity interests denominated in foreign currencies, financed by purchasing the currency in question.

The Group's policy is to hedge portfolio exposure to liquid currencies, while at the same time maintaining the prudential ratio's limited sensitivity to exchange rate fluctuations. This policy is implemented by borrowing amounts in the same currency as the equity investment. Such borrowings are documented as hedges of net investments in foreign operations.

## INTEREST RATE RISK [Audited]

Interest rate risk in the banking book is the risk of incurring losses as a result of mismatches in interest rates, maturities and nature between assets and liabilities. For banking activities, this risk arises in non-trading portfolios and primarily relates to global interest rate risk.

### 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 with responsibility for functions (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 in charge of operational implementation of decisions related to managing interest rate risk on the banking book.

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.

### 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 in order to take into account both a management benchmark and all the possible strategies defined as "neutral" in terms of interest rate risk.

In the case of Retail Banking activities, interest rate risk is also measured on a going-concern basis, incorporating dynamic changes in balance sheet items, through indicators of revenues sensitivity to interest rate changes. The existence of partial or zero correlations between customer interest rates and market rates coupled with volume sensitivity to interest rates generates a risk to future revenues.

The choice of indicators and risk modelling are reviewed by Risk. The results of these reviews are presented 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).

The same principles are applied to calibrating the limits for all entities. Limits 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

The sensitivities of revenues to changes in market rates are one of the key indicators used by the Group in its analysis of global interest rate risk.

These sensitivities are calculated on the total banking book and on capital. 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 conversly on deposit) were taken into account this year 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 112 million, EUR 405 million and EUR 719 million, or 0.3%, 0.9% and 1.7% 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. This effect led to the increase in sensitivity seen during the year 2016.

**TABLE 79: SENSITIVITY OF REVENUES TO GLOBAL INTEREST RATE RISK BASED ON A 50 BASIS POINT INCREASE OR DECREASE IN THE INTEREST RATES**

| Sensitivity of 2016 revenues<br>*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 2015 revenues – proforma<br>*In millions of euros* | For +50bp shock | | | | For -50bp shock | | | |
|---|---|---|---|---|---|---|---|---|
| | EUR | USD | Other currencies | Total | EUR | USD | Other currencies | Total |
| Year 1 | 168 | 29 | (14) | 183 | (178) | (56) | 6 | (229) |
| Year 2 | 300 | 52 | 8 | 360 | (316) | (85) | (24) | (426) |
| Year 3 | 384 | 110 | 52 | 546 | (553) | (113) | (42) | (707) |

### 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-2016, the ratio was +7.3% for a 200-basis-point decrease and -8.9% 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.

In early 2016, questions about the growth of certain emerging areas and fears of deflation amid very low oil prices, weighed down long-term rates and pushed the ECB to pursue its action. Thus it expanded the framework of its asset-buying programme, announced new long-term financing operations (TLTRO II), and cut its key interest rates again (deposit rate down from -0.30% to -0.40%). At the end of the first half, the British referendum had the effect of strengthening the downward trend in long-term rates. Following the American election, long-term rates increased appreciably, reflecting the anticipation of significant fiscal stimulus in the United States, but with consequences in the other geographic areas too. Having long prepared the markets for this outlook, the Fed then raised its rate by 0.25% at year's end to sit within the 0.50%-0.75% range, while announcing other increases in 2017.

Since the rate hike took place at the very end of the year, structural positions underwent the same type of phenomena as had already been observed in 2015, amid declining rates: high levels of early repayment and renegotiation of property loans (whether in France, Belgium, or Italy) and high growth in non interest bearing deposits. The increase in the negative rate environment problem required even more adjustments, either in the client pricing method, or in the procedures for managing interest-rate risk, to account for the impacts of the floors applied to remuneration of deposits. In addition, the interest-rate position related to the Group's participation in TLTRO II was specifically neutralised.

### 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 2016 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 80: HEDGED CASH FLOWS

| Period to realisation *In millions of euros* | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 381 | 1,197 | 1,004 | 2,582 | 239 | 639 | 496 | 1,374 |

In 2016, no cash flow hedge relationships were disqualified on the grounds that the related future hedged flows would be no longer highly probable.

# 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, based on 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 test), 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 with higher frequency 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 in charge of the functions and ALM Treasury (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 financing 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 requirements of the Group's businesses

The funding requirements associated with the activity of the Group's businesses are managed in particular by measuring the difference between commercial funding requirements (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 requirement 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.

The business lines' liquidity consumption 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 recent years, the entire business management system has resulted in growth in deposits (including an increase of more than EUR 60 billion in 2016) exceeding growth of business assets (increase of less than EUR 40 billion in 2016).

At end-2016, the net liquidity requirements of the businesses were very low and largely covered by Group's net own funds, leading to excess liquidity before taking the ALM – Treasury into account.

In this context, the funding provided by the ALM – Treasury is used in full to finance the liquidity reserve while correcting the term structure of differences between assets and liabilities.

## 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 custody business. The 2015 wholesale funding data have been revised to comply with this definition.

The Group has a conservative policy for the management of wholesale funding.

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 deposits in central banks (the most liquid portion of the Group's liquidity reserve).

Moreover, wholesale funding not already sterilised is monitored to ensure diversification both for the short term with an original maturity of more than one month and less than one year (thereby excluding very short-term wholesale funding sterilised with the central bank) and for medium- to long-term funding with initial maturity over one year. Any excess concentration on short-term wholesale funding is systematically sterilised in central bank deposits. The diversification of medium- to long-term wholesale market funding is conducted by investor type, distribution network, structure and secured or unsecured financing programme, and by geographical area. Diversification based on the term structure and a lengthening of maturity also contributes to the robustness of the Group's funding structure.

At end-2016, sterilised very short-term wholesale funding totalled EUR 92.1 billion (leading to the sterilisation of an equivalent amount in the Group's liquidity reserve), diversified short-term wholesale funding totalled EUR 122.3 billion and diversified medium-to long-term wholesale funding totalled EUR 142.7 billion.

### ➤ TABLE 81: BREAKDOWN OF THE WHOLESALE FUNDING BY CURRENCY

The breakdown of the wholesale funding by currency corresponds to the Group's requirements and to a diversification objective.

| | | | | 31 December 2016 |
|---|---|---|---|---|
| *In billions of euros* | EUR | USD | Others | All currencies |
| Sterilised very short-term wholesale funding | 37.9 | 35.7 | 18.5 | 92.1 |
| Diversified short-term wholesale funding | 30.3 | 51.4 | 40.6 | 122.3 |
| Diversified medium- to long-term wholesale funding | 94.2 | 40.8 | 7.7 | 142.7 |
| **TOTAL WHOLESALE FUNDING** | **162.4** | **127.9** | **66.8** | **357.1** |

| | | | | 31 December 2015 Proforma |
|---|---|---|---|---|
| *In billions of euros* | EUR | USD | Others | All currencies |
| Sterilised very short-term wholesale funding | 36.8 | 32.8 | 18.2 | 87.8 |
| Diversified short-term wholesale funding | 32.7 | 46.3 | 42.8 | 121.9 |
| Diversified medium- to long-term wholesale funding | 92.9 | 46.6 | 8.7 | 148.2 |
| **TOTAL WHOLESALE FUNDING** | **162.4** | **125.7** | **69.7** | **357.9** |

### TABLE 82: BREAKDOWN OF THE GROUP'S MLT WHOLESALE FUNDING

| *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 |
| MLT debt securities issued | - | 5.6 | 96.8 | 21.8 | - | 124.2 |
| Other funding | 8.7 | 11.5 | 17.8 | 3.4 | 21.2 | 62.6 |
| **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** |

| *In billions of euros* | 31 December 2015 Proforma | | | | | |
|---|---|---|---|---|---|---|
| | Tier 1 hybrid debt | Tier 2 subordinated debt | Unsecured senior debt | Secured MLT funding | Monetary policy funding | Total |
| MLT debt securities issued | - | 9.8 | 102.1 | 22.2 | - | 134.1 |
| Other funding | 9.4 | 5.7 | 20.8 | 5.3 | 17.7 | 58.8 |
| **TOTAL MLT FUNDING** | **9.4** | **15.6** | **122.9** | **27.4** | **17.7** | **192.9** |
| MLT debt placed with clients | - | (3.0) | (21.5) | (2.6) | - | (27.0) |
| Monetary policy | - | - | - | - | (17.7) | (17.7) |
| **WHOLESALE MLT FUNDING** | **9.4** | **12.6** | **101.3** | **24.9** | **-** | **148.2** |



### TABLE 83: TRENDS IN GROUP'S MLT WHOLESALE FUNDING

| *In billions of euros* | Stock at 31 December 2015 Proforma | New origination | Redemptions | Buy backs | Exercice of calls | FX effect and other | Stock at, 31 December 2016 |
|---|---|---|---|---|---|---|---|
| MLT debt securities issued | 134.1 | 23.3 | (22.8) | (7.0) | (2.0) | (1.4) | 124.2 |
| Other funding | 58.8 | 11.7 | (5.6) | (1.5) | (1.4) | 0.6 | 62.6 |
| **TOTAL MLT FUNDING** | **192.9** | **35.0** | **(28.4)** | **(8.5)** | **(3.4)** | **(0.8)** | **186.8** |
| MLT debt placed with clients | (27.0) | (4.0) | 6.5 | 2.4 | 0.1 | (0.9) | (22.9) |
| Monetary policy | (17.7) | (3.5) | - | - | - | - | (21.2) |
| **WHOLESALE MLT FUNDING** | **148.2** | **27.5** | **(21.9)** | **(6.1)** | **(3.3)** | **(1.7)** | **142.7** |

Funding raised by the Group in the markets with an initial maturity of over one year came to EUR 35.0 billion in 2016 (of which EUR 27.5 billion in wholesale funding), after EUR 38.6 billion in 2015 (of which EUR 32.1 billion of wholesale funding).

The amount of debt securities issued classified as MLT funding comprises debt securities measured at fair value through profit or loss (EUR 48.1 billion) and debt securities measured at amortised cost with an initial maturity of more than one year (EUR 91.4 billion, excluding perpetual subordinated debt), as presented in note 4.i to the consolidated financial statements.

#### Wholesale funding trends based on regulatory changes

Beyond the total capital target, the TLAC requirement calls for about 5.5% of risk-weighted assets as TLAC-eligible debt as at 1 January 2019, about 3% of senior non preferred debt to be issued, given a 2.5% Minimum Requirement for Eligible Liabilities (MREL) eligible for TLAC. In 2016, the Group issued EUR 6.8 billion of senior unsecured debt eligible for the 2.5% MREL tranche.

From 2017, BNP Paribas plans to issue approximately EUR 10 billion in this new class of senior non-preferred debt in the markets each year until 1 January 2019. On 3 January 2017 BNP Paribas successfully placed two inaugural issues of senior non preferred debt in the amounts of USD 1.75 billion and EUR 1 billion, i.e. a total of EUR 2.7 billion.

Pursuant to the implementation of the Bank Recovery and Resolution Directive (BRRD), transposed into French law by executive order in August 2015, and to allow systemically important French banks to meet the TLAC requirement, the so-called Sapin 2 law was published in the Official Journal on 10 December 2016. Article 151 modifies the ranking of creditors of credit institutions under liquidation or resolution procedures, creating a new category of senior non preferred debt that will absorb the losses before current senior debt but after subordinated debt.

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);
- not 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.

## Changes in existing debt eligible for the constitution of capital as at 31 December 2016, excluding future issuances

### ➤ TABLE 84: CHANGES IN EXISTING DEBT ELIGIBLE FOR THE CONSTITUTION OF CAPITAL AS AT 31 DECEMBER 2016, EXCLUDING FUTURE ISSUES

| *In billions of euros* Tier 1 | Stock at 31 December 2016 | Changes(*) 2017 | 2018 | Stock at 31 December 2018 |
|---|---|---|---|---|
| Debt in the balance sheet | 8.7 | (0.9) | (0.6) | 7.1 |
| Debt eligible in capital | 8.7 | (0.9) | (0.6) | 7.1 |

| *In billions of euros* Tier 2 | Stock at 31 December 2016 | Changes(**) 2017 | 2018 | Stock at 31 December 2018 |
|---|---|---|---|---|
| Debt in the balance sheet | 17.1 | (4.0) | (0.7) | 12.4 |
| Debt eligible in capital | 13.2 | (0.8) | (0.2) | 12.1 |

(*) *For Tier 1: repayment assumption at their first call date of perpetual instruments callable for institutional investors.*
(**) *For Tier 2: repayment of maturing instruments, repayment assumption at their first call date of instruments intended for institutional investors, and after prudential amortisation of existing instruments at 31 December 2016.*

These assumptions are without prejudice to the Bank's call policy. The exercise of the call options is subject to the prior approval of the supervisor.

## 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 85: MLT SECURED WHOLESALE FUNDING

| *In billions of euros* | 31 December 2016 Collateral used(*) | Funding raised(**) | 31 December 2015 Collateral used(*) | Funding raised(**) |
|---|---|---|---|---|
| Loans and receivables | 29.6 | 23.1 | 31.1 | 24.5 |
| Securities | 3.5 | 2.1 | 3.5 | 2.9 |
| **TOTAL** | **33.1** | **25.2** | **34.5** | **27.4** |

(*) *Amounts gross of haircuts.*
(**) *Amounts net of haircuts.*

MLT secured wholesale funding (outside of monetary policy) represents 15.2% of total MLT funding (15.6% in 2015). The Bank carefully manages its proportion of secured funding and the associated overcollateralisation in order to protect creditors holding unsecured debt.

(1) *Characteristics to be published by executive order.*

### 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 (1 day to 3 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 only expected to 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, contract including rating triggers, etc.).

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 86: BREAKDOWN OF THE GLOBAL LIQUIDITY RESERVE (COUNTERBALANCING CAPACITY)**

| *In billions of euros* | Average 2016 | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| Total eligible assets | 383.9 | 374.9 | 358.9 |
| Utilisations | (76.0) | (67.5) | (90.2) |
| Transferability | (3.1) | (2.2) | (2.9) |
| **GLOBAL LIQUIDITY RESERVE** | **304.8** | **305.2** | **265.8** |
| *of which liquid assets meeting prudential regulation requirements (HQLA)* | *268.8* | *272.8* | *245.0* |
| *of which other liquid assets* | *36.0* | *32.4* | *20.8* |

The Group's liquidity reserve stood at EUR 305 billion at end-2016, of which EUR 92.1 billion sterilising very short-term wholesale funding.

The Group's liquidity reserve increased by EUR 39 billion compared with end-2015. This increase is split between a EUR 16 billion increase in liquid assets, primarily deposits in the Central Banks, and a reduction in encumbered securities (repos, securities deposited in payment systems, etc.). On a yearly average, the liquidity reserve is identical to its year-end level, i.e. EUR 305 billion. The Group's liquidity reserve is significantly higher than the accumulated redemptions over one year of wholesale funding.

### 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 70% in 2016, then 80% in 2017 and 100% in 2018. The Group measures its liquidity requirements in accordance with the provisions 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 is detailed below:

## TABLE 87: SHORT-TERM LIQUIDITY RATIO (LCR) – ITEMISED

| *In billions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Value/30-day flow (unweighted) | Weighted value | Value/30-day flow (unweighted) | Weighted value |
| **HIGH QUALITY LIQUID ASSETS (HQLA)** | **278** | **273** | **251** | **245** |
| Cash and central bank deposits | 144 | 144 | 120 | 120 |
| Sovereign bonds | 112 | 112 | 111 | 111 |
| Other liquid assets meeting prudential regulation requirements | 22 | 17 | 20 | 14 |
| **CASH OUTFLOWS** | | **(405)** | | **(410)** |
| Retail and small business deposits | 313 | (24) | 305 | (25) |
| Corporate deposits | 222 | (76) | 199 | (65) |
| Financial institution deposits | 132 | (90) | 140 | (102) |
| Secured financing transactions | | (87) | | (65) |
| Issued debt | 19 | (19) | 20 | (20) |
| Derivatives net of collateral | 28 | (28) | 55 | (55) |
| Liquidity and credit facilities | 284 | (33) | 274 | (34) |
| Other cash outflows | | (47) | | (46) |
| **CASH INFLOWS** | | **182** | | **213** |
| Loans | 82 | 49 | 79 | 47 |
| Secured financing transactions | | 88 | | 82 |
| Derivatives net of collateral | 39 | 39 | 70 | 70 |
| Other cash inflows | | 6 | | 14 |
| **TOTAL CASH OUTFLOWS, NET** | | **(223)** | | **(197)** |
| **LIQUIDITY COVERAGE RATIO** *(%)* | | **123%** | | **124%** |

As at 31 december 2016, the Group's LCR stands at 123% (close to the level as at 31 december 2015, which is a liquidity surplus of EUR 50 billion compared with the fully loaded regulatory requirements.

The Group's liquid assets before regulatory weighting come to EUR 278 billion, up EUR 28 billion for the year, thanks to substantial growth in deposits collected from corporate and individual clients. After the application of the regulatory haircuts (weighted value), the Group's liquidity reserve recognised by prudential regulation amounted to EUR 273 billion. It mainly consisted of central bank deposits (49% of the buffer which account for most of the annual increase) and sovereign bonds (41%). 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 86) 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 405 billion. A large part of this amount corresponds to deposit outflow assumptions of EUR 190 billion out of total deposits, excluding repos, of EUR 834 billion, i.e. an average outflow rate of 23% for the Group after application of the regulatory rates. Reciprocally, cash inflows on loans only amounted to EUR 49 billion out of total outstanding loans of EUR 740 billion (i.e. 7%) excluding impaired loans and reverse repos.

Cash flows on secured financing transactions and derivatives are analysed net of liquidity inflows and outflows. They resulted in a net cash inflow of EUR 1 billion for secured financing transactions and EUR 11 billion for derivatives net of collateral.

Other cash outflows remain stable and include the covering of securities short positions generated within the next 30 days, the effects of market stress on collateral requirements, and cash outflows in the extreme event of a 3-notch downgrade of the BNP Paribas rating by rating agencies.

The LCR as at 31 December 2016 is close to the one as at 31 December 2015, with the rise in the liquid asset reserve consumed by the rise in cash outflows to growing deposits.

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. On 23 November 2016, the European Commission proposed a text as an amendment to the corpus of "CRD IV" texts as well as Regulation (EU) No. 806/2014 and Directive 2014/59/EU. This proposal especially aimed at introducing a one-year Net Stable Funding Ratio (NSFR) and a required minimum debt eligible for absorption of losses and to reconstitute capital in the event of resolution (Total Loss Absorbing Capacity TLAC) and Minimum Requirement for own funds and Eligible Liabilities (MREL).

## 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 88: CONTRACTUAL MATURITIES OF THE PRUDENTIAL BALANCE SHEET

| | 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | 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 | | | | | | | 123,679 |
| Loans and repurchase agreements | | 37,986 | 71,316 | 27,070 | 13,665 | 7,362 | 189 | 157,587 |
| 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 | 157,686 |
| Loans and receivables due from credit institutions | | 5,455 | 7,713 | 4,170 | 2,978 | 1,777 | 20,808 | 42,902 |
| Loans and receivables due from customers | | 20,339 | 61,808 | 54,055 | 92,420 | 269,338 | 220,440 | 718,401 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,664 | | | | | | | 4,664 |
| Held-to-maturity financial assets | | | - | - | 112 | 350 | 93 | 554 |
| **Financial assets** | **474,310** | **224,612** | **146,452** | **90,095** | **124,817** | **334,061** | **319,152** | **1,713,498** |
| Other non-financial assets | - | 15,308 | 16,613 | 22,003 | 6,699 | 62,753 | 41,212 | 164,589 |
| **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 | 183,206 |
| 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 | 765,180 |
| Debt securities and subordinated debt | | 21 | 21,623 | 37,307 | 42,300 | 35,545 | 37,140 | 173,937 |
| 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** |

| *In millions of euros* | 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 |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 31 December 2015 Proforma |
| Cash and amounts due from central banks | | 134,672 | | | | | | 134,672 |
| Financial instruments at fair value through profit and loss | | | | | | | | |
| Trading securities | 133,505 | | | | | | | 133,505 |
| Loans and repurchase agreements | | 41,047 | 53,445 | 28,557 | 12,246 | 1,802 | 675 | 137,771 |
| Instruments designated as at fair value through profit and loss | - | 2 | 141 | 105 | 260 | 1,013 | 1,087 | 2,608 |
| Derivative financial instruments | 336,578 | | | | | | | 336,578 |
| Derivatives used for hedging purposes | 17,971 | | | | | | | 17,971 |
| Available-for-sale financial assets | | 113 | 7,886 | 5,901 | 14,585 | 57,260 | 69,084 | 154,831 |
| Loans and receivables due from credit institutions | | 6,865 | 7,568 | 4,029 | 3,918 | 3,530 | 12,773 | 38,683 |
| Loans and receivables due from customers | | 23,824 | 60,972 | 37,455 | 101,689 | 259,099 | 205,981 | 689,021 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 4,564 | | | | | | | 4,564 |
| Held-to-maturity financial assets | | | 1 | 24 | 7 | 481 | 57 | 569 |
| **Financial assets** | **492,619** | **206,523** | **130,012** | **76,072** | **132,705** | **323,185** | **289,658** | **1,650,774** |
| Other non-financial assets | - | 76,591 | 9,350 | 12,125 | 6,540 | 16,457 | 35,736 | 156,800 |
| **TOTAL ASSETS** | **492,619** | **283,115** | **139,362** | **88,197** | **139,245** | **339,642** | **325,394** | **1,807,574** |
| Due to central banks | | 2,385 | | | | | | 2,385 |
| Financial instruments at fair value through profit and loss | | | | | | | | |
| Trading securities | 82,548 | | | | | | | 82,548 |
| Borrowings and repurchase agreements | | 15,837 | 82,518 | 45,083 | 10,182 | 1,974 | 1,177 | 156,771 |
| Instruments designated as at fair value through profit and loss | - | 1,841 | 4,626 | 10,143 | 10,406 | 14,128 | 10,710 | 51,855 |
| Derivative financial instruments | 325,750 | | | | | | | 325,750 |
| Derivatives used for hedging purposes | 21,101 | | | | | | | 21,101 |
| Due to credit institutions | | 9,565 | 24,188 | 14,205 | 8,437 | 24,477 | 2,418 | 83,290 |
| Due to customers | | 534,981 | 76,205 | 36,969 | 35,875 | 10,925 | 6,275 | 701,229 |
| Debt securities and subordinated debt | | 624 | 15,630 | 36,042 | 37,076 | 50,603 | 38,556 | 178,530 |
| Remeasurement adjustment on interest-rate risk hedged portfolios | 3,946 | | | | | | | 3,946 |
| **Financial liabilities** | **433,345** | **565,232** | **203,167** | **142,442** | **101,976** | **102,106** | **59,136** | **1,607,405** |
| Other non-financial liabilities | | 62,980 | 12,505 | 7,836 | 3,149 | 3,922 | 109,777 | 200,169 |
| **TOTAL LIABILITIES AND EQUITY** | **433,345** | **628,212** | **215,672** | **150,278** | **105,125** | **106,028** | **168,914** | **1,807,574** |

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 scenarios;
- 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 lending 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.

The ratio of encumbered assets to the assets on the Groups balance sheet was 10% as at 31 December 2016 versus 12 % as at 31 December 2015.

### ➤ TABLE 89: ENCUMBERED AND UNENCUMBERED ASSETS

#### ➤ *Assets*

| *In billions of euros* | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
| **ASSETS** | **197** | | **1,681** | | **214** | | **1,594** | |
| Equity instruments | 32 | 32 | 24 | 24 | 29 | 29 | 22 | 22 |
| Debt securities | 41 | 41 | 202 | 202 | 65 | 65 | 189 | 189 |
| Other assets | 124 | | 1,455 | | 120 | | 1,383 | |

#### ➤ *Collateral received*

| *In billions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Fair value of encumbered collateral received or own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance | Fair value of encumbered collateral received or own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance |
| **COLLATERAL RECEIVED** | **291** | **19** | **197** | **47** |
| Equity instruments | 54 | 5 | 40 | 17 |
| Debt securities | 237 | 13 | 156 | 30 |
| Other collateral received | 0 | 0 | 0 | 0 |
| **OWN DEBT SECURITIES ISSUED OTHER THAN OWN COVERED BONDS OR ABS** | **0** | **0** | **0** | **0** |

➤ *Encumbered assets/collateral received and associated liabilities*

| *In billions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued(*) | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued(*) |
| **CARRYING AMOUNT OF SELECTED FINANCIAL LIABILITIES** | **435** | **488** | **366** | **411** |

*(*) Other than covered bonds and asset-backed securities (ABS).*

# 5.9 Operational, compliance and reputation risks

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 risks.



## 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 Corporate governance.

A second-level function is tasked with defining and supervising the operational risk management system. 2016 saw the Risk function introduce a major Group project to identify the main changes required to the operational risk management system to improve and optimise it by clarifying the responsibilities between the first and second lines of defence in the Group. Accordingly, the Operational Risk and Control (ORC) teams are now the second line of defence within Risk.

This new model will be rolled out gradually between September 2016 and June 2017 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 500 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 in light of 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.

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.

The function currently includes a central structure in Paris responsible for overseeing and supervising all compliance matters and local teams within the Group's various operating divisions, operational entities, business lines and functions acting under delegated authority from the central team and reporting to the Head of Compliance.

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.

More specifically, control of reputation risk is based on a series of measures:

- a range of general procedures: the code of conduct, the procedure setting out the process for approving exceptional transactions, new products and new business activities;
- Compliance procedures (Know Your Customer – KYC, Financial Security, country policies, policies governing relations with intermediaries and suppliers, conflicts of interest, and suitability and best execution policy) and CSR (corporate social responsibility) policies;
- the Ethics Committee, chaired by a prominent individual from outside the Group and composed of independent members and Group managers. The Committee's role is to make recommendations on the Group's activities in some sectors or sensitive countries.

This management of compliance and reputation risks must be continuously tailored to its internal and external developments.

In 2016, the Group pressed ahead with major changes to this system through the following initiatives:

- vertical integration of Compliance in the Group, similar to the one that already exists for the Group's Risk Function;
- expansion of resources allocated to Compliance with:
  - the continued ramp-up of the "Group Financial Security US" department headquartered in New York,
  - 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, Internal Control*.)

## LEGAL RISK

In each country where it operates, BNP Paribas is bound by specific local regulations applicable to companies engaged in banking, insurance and financial services. The Group is notably required to respect the integrity of the markets and the primacy of clients' interests.

The Legal Function ("Legal") is organised as follows:

- a governance model based on:
  - the Global Legal Executive Committee, a bi-monthly Committee that provides strategic guidelines 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, European and competition case 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 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, and
  - 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.

Global integration is now up and running and a new Legal Charter was approved and came into force 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;
- deconcentration:
  - 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 division,
  - 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

Information is one of the raw materials of a bank's business. The roll-out of Digital Banking (for both our customers and partners) and Digital Working (for our employees), the need for speed in our operations and the onward march of automation, the interconnection between the Bank and its customers – online for individuals and in many different networks for business and institutional customers – makes the need to manage information system security risks all the more pressing. The BNP Paribas Group model is based on a security approach centred on the most sensitive information to safeguard and the procedures considered as critical.

The Group must constantly strengthen its procedures and processes to keep pace with the continually changing threats to which banking and the credit and payment card industry are exposed, to monetise these risks and disclose them to the general public in our host countries.

In 2015, BNP Paribas decided to step up and standardise its approach to managing information technology risks by setting up a specific, dedicated organisation in the subsidiary. Information Security and Information Systems are part of the Group's Cyber Security policy, which is a major component of our system for managing information technology risks. A transformation programme in accordance with the NIST (National Institute of Standards and Technology) framework was launched.

The aim of this was to upgrade the security system in line with the threats described above. It will meet the requirements of a growing body of applicable legislation, regulations and standards.

A number of authorities approached BNP Paribas entities during 2015 for information on cyber security measures to assess their maturity level. An inspection was also conducted in 2015-2016 by the European Central Bank (ECB). The findings confirm the suitability of the BNP Paribas approach to reinforcing management of information technology risks.

### Business continuity

The availability of information systems is also vital to allow BNP Paribas to continue operating in a crisis or emergency. The Group maintains, improves and regularly verifies the information back-up capabilities and system robustness, in line with its values of operational excellence, in response to tighter regulations and extreme stress scenarios (natural disasters or other catastrophes, health pandemics, etc.).

### Data confidentiality

Confidentiality of customer data and transaction integrity are also areas covered by the Bank's continuous progress approach, not only to counter the threats described earlier but also to provide our customers with a service that meets their expectations.

### Cyber crime

BNP Paribas continuously seeks to manage identified information security risk and optimise resources by:

- raising employees' awareness of information systems security imperatives and training key players in the appropriate procedures and behaviours related to information system resources;
- tighter supervision over outsourcing (introducing security clauses in agreements, rolling out security measures);
- more stringent precautions to safeguard IT equipment (desktop computers, laptops, smartphones and tablets);
- rolling out and developing controls for BNP Paribas entities and external partners, and strengthening support actions;
- streamlining BNP Paribas's network security to reduce operational risks and combat the spread of malware;
- strengthening the security of IT developments, better measurement of responsiveness in terms of information security and preventing data leaks;
- monitoring incidents and developing intelligence of technological vulnerability and information systems attacks.

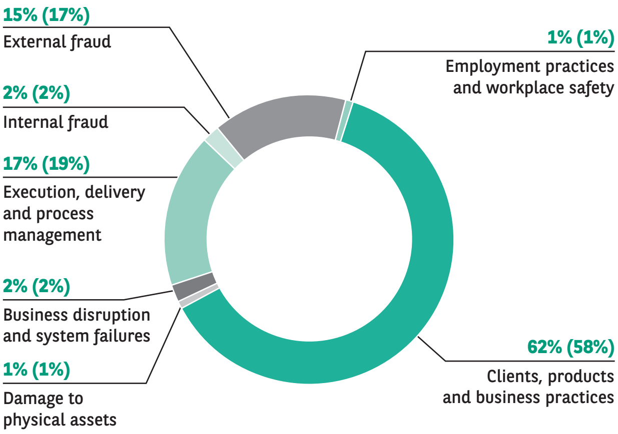
BNP Paribas takes a continuous progress approach to information security. Apart from investing heavily in protecting its assets and information resources, the level of security must be supervised and controlled continuously for the Group as a whole. This enables the Bank to adjust its security levels to new threats caused by cyber crime.

In this respect, the security model has been revised to ensure that it takes account of technological changes that have a strong impact on interactions between users (clients and employees) and their information systems. This requires Group-level and entity-level action to develop tools to scale up security processes, setting up a Cyber security and Information Technology Risk management community and continuing the major projects in the Group's business development plan.

## OPERATIONAL RISK EXPOSURE

The chart below shows the losses linked to operational risk, according to the event classification defined in the current regulation.

### FIGURE 11: OPERATIONAL LOSSES – BREAKDOWN BY EVENT TYPE (AVERAGE 2009-2016)(*)




(*) *Percentages in brackets correspond to average loss by type of event for the 2008-2015 period.*

In the period 2009-2016, 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 90: OPERATIONAL RISK CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

| | 31 December 2016 | | 31 December 2015 | | Variation | |
|---|---|---|---|---|---|---|
| *In millions of euros* | RWAs | Capital requirements | RWAs | Capital requirements | RWAs | Capital requirements |
| Advanced Measurement Approach (AMA) | 47,902 | 3,832 | 45,518 | 3,641 | 2,384 | 191 |
| Standardised approach | 9,581 | 766 | 9,090 | 727 | 491 | 39 |
| Basic indicator approach | 6,044 | 484 | 5,941 | 475 | 103 | 8 |
| **TOTAL OPERATIONAL RISK** | **63,527** | **5,082** | **60,548** | **4,844** | **2,979** | **238** |

The EUR 3 billion increase in risk-weighted assets is mostly due to the update of potential incidents on the AMA scope, as well as the average three-year increase in net banking income for the scope using basic and standardised approaches.

## 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 RISK MANAGEMENT SYSTEM

BNP Paribas Cardif is exposed to the following risks:

- market risk, risk of a financial loss arising from adverse movements of financial markets. These adverse movements are notably reflected in prices (foreign exchange rates, bond prices, equity and commodity prices, derivatives prices, real estate prices…) and derived from fluctuations in interest rates, credit spreads, volatility and correlation;
- credit risk, risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed. Among the debtors, risks related to financial instruments (including the banks in which the Company holds deposits) and risks related to receivables generated by the underwriting activities (premium collection, reinsurance recovering…) are distinguished into two categories: "Asset Credit Risk" and "Liabilities Credit 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;
- operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, IT failures or deliberate external events, whether accidental or natural. The external events mentioned in this definition include those of human or natural origin.

Management of these risks is done within BNP Paribas Cardif's risk profile and its risk preferences:

- insurance risks profile is defined by two indicators: (i) maximum deviation between pre-tax income and budget at the 90% quantile, and (ii) monitoring the target solvency ratio in the current regulatory environment. See the paragraph on *Requirements applicable to the Insurance business* in section 5.2 *Capital adequacy and capital planning*;
- BNP Paribas Cardif's risk preferences can be summarised in three objectives: (a) control the general fund's contribution to growth in savings products in order to limit the proportion of market risk, (b) support growth of Protection products and (c) expand in the Property and Casualty market to increase the relative proportion of underwriting risk and the diversification effect.

This risk strategy is implemented and controlled through an organisation tailored to the broad risk classes and supported by *ad hoc* governance structures. The main risk decision-taking or monitoring committees are:

- the Insurance Risk Management Committee covers all risks and is responsible for defining the risk policy and for overseeing the key risks;
- the various committees that take risk decisions are the Underwriting Committee for risks outside the limits granted to the local and regional entities, New Business Committee for new underwriting risks and underwriting risks that are not new for BNP Paribas Cardif but new for a particular entity, and New Asset Class Committee for investments in new types of asset;
- the Insurance ALM Committee covers market risks and is responsible for defining the strategic asset allocation;
- the Asset Credit Risk Committee monitors credit risk on issuers of financial instruments;
- the Operational Risk Committee monitors actual and potential incidents.

## MARKET RISK [Audited]

Market risk arises mainly in the Savings business, where technical reserves represent over 95% of the insurance subsidiaries' liabilities.

Interest rate risk management for the general insurance fund 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. The target strategic allocation of Cardif Assurance Vie, the main Savings insurance subsidiary, is based mainly on fixed-income securities (86%). The proportion of equities and real estate is significant (7% each).

Market risk falls into four categories:

### INTEREST RATE RISK

Policyholder returns on life insurance policies are based on either a fixed rate specified in the policy 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 2016, the average guaranteed rate is near 0.1%, down compared with 2015 (near 0.5%). 96% of BNP Paribas Cardif's mathematical reserves have guaranteed minimum return commitments with a term of less than or equal to two years.

In France, to cover 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 2016, 2015, and 2014, as the returns guaranteed by the insurance subsidiaries are low and the guarantees are for short periods, resulting in only limited exposure.

## LIQUIDITY RISK

Liquidity risk is managed centrally by the BNP Paribas Cardif Asset/Liability Management unit, which coordinates its activities with the BNP Paribas ALM Treasury Department. Regular asset-liability matching reviews are performed to measure and manage the financial risks, based on medium and/or long-term income statement and balance sheet projections prepared according to various 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.) that are required to reduce the risks arising from changes in interest rates and asset values.

## SPREAD RISK

Cardif Assurance Vie has a balanced spread of bond exposure between sovereign risk and corporate risk (each representing 52% and 48% of the portfolio of Cardif Assurance Vie).

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 (less than 10%) to sovereign risk in the peripheral euro zone countries. Euro zone portfolios focus on issuers with an average rating of A or better.

### ➤ TABLE 91: CARDIF ASSURANCE VIE GENERAL FUND – BOND EXPOSURE BY COUNTRY

| *In millions of euros* | 31 December 2016 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Govies | | Agencies & supra sovereign | | Financial corporate | | Covered | | Other corporate | | Total | |
| **By country** | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value |
| France | 15,942 | 18,816 | 2,011 | 2,500 | 9,892 | 10,606 | 2,460 | 2,906 | 3,557 | 3,957 | **33,861** | **38,786** |
| Italy | 5,325 | 6,298 | 272 | 290 | 1,133 | 1,266 | 808 | 918 | 1,182 | 1,268 | **8,720** | **10,039** |
| Netherlands | 1,047 | 1,286 | 102 | 126 | 2,707 | 3,057 | 36 | 43 | 1,393 | 1,494 | **5,285** | **6,007** |
| Spain | 2,811 | 3,277 | - | - | 427 | 446 | 696 | 813 | 351 | 368 | **4,286** | **4,904** |
| Germany | 701 | 928 | 24 | 30 | 351 | 340 | - | - | 178 | 190 | **1,255** | **1,487** |
| Austria | 1,556 | 1,855 | - | - | - | - | - | - | - | - | **1,556** | **1,855** |
| Belgium | 3,178 | 3,932 | 16 | 19 | 5 | 5 | - | - | 334 | 354 | **3,533** | **4,310** |
| United Kingdom | - | - | - | - | 3,968 | 4,338 | 83 | 97 | 372 | 387 | **4,422** | **4,822** |
| Ireland | 783 | 926 | - | - | 552 | 590 | 104 | 115 | 76 | 79 | **1,515** | **1,709** |
| United States | - | - | - | - | 3,364 | 3,447 | 52 | 52 | 1,383 | 1,488 | **4,799** | **4,987** |
| Portugal | 186 | 197 | - | - | - | - | - | - | - | - | **186** | **197** |
| Others | 984 | 1,150 | 1,279 | 1,576 | 1,580 | 1,721 | 27 | 30 | 1,010 | 1,141 | **4,879** | **5,618** |
| **TOTAL** | **32,513** | **38,665** | **3,705** | **4,541** | **23,978** | **25,816** | **4,265** | **4,974** | **9,836** | **10,726** | **74,297** | **84,721** |

| *In millions of euros* | 31 December 2015 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Govies | | Agencies & supra sovereign | | Financial corporate | | Covered | | Other corporate | | Total | |
| **By country** | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value |
| France | 15,895 | 18,298 | 2,416 | 2,928 | 10,932 | 11,756 | 2,380 | 2,848 | 3,410 | 3,792 | **35,033** | **39,622** |
| Italy | 5,114 | 6,431 | 299 | 324 | 1,153 | 1,299 | 678 | 792 | 1,336 | 1,467 | **8,580** | **10,313** |
| Netherlands | 974 | 1,213 | 204 | 230 | 1,743 | 1,966 | 121 | 138 | 691 | 741 | **3,732** | **4,288** |
| Spain | 2,407 | 2,810 | 103 | 109 | 501 | 498 | 1,075 | 1,230 | 405 | 428 | **4,491** | **5,075** |
| Germany | 1,037 | 1,257 | 24 | 30 | 296 | 299 | 189 | 203 | 697 | 762 | **2,244** | **2,551** |
| Austria | 1,562 | 1,895 | - | - | - | - | - | - | - | - | **1,562** | **1,895** |
| Belgium | 3,056 | 3,687 | 144 | 154 | 115 | 129 | - | - | 128 | 132 | **3,443** | **4,102** |
| United Kingdom | - | - | - | - | 2,041 | 2,254 | 357 | 417 | 204 | 205 | **2,602** | **2,877** |
| Ireland | 1,321 | 1,414 | - | - | 41 | 50 | - | - | - | - | **1,362** | **1,464** |
| United States | - | - | - | - | 2,669 | 2,750 | 52 | 54 | 988 | 1,025 | **3,708** | **3,829** |
| Portugal | 92 | 104 | 94 | 105 | - | - | 85 | 88 | 44 | 45 | **315** | **342** |
| Others | 1,054 | 1,265 | 1,332 | 1,552 | 1,953 | 2,062 | 43 | 47 | 1,218 | 1,297 | **5,600** | **6,224** |
| **TOTAL** | **32,513** | **38,375** | **4,617** | **5,431** | **21,443** | **23,064** | **4,980** | **5,818** | **9,121** | **9,894** | **72,674** | **82,582** |

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## ➤ TABLE 92: CARDIF ASSURANCE VIE GENERAL FUND – BOND EXPOSURE BY EXTERNAL RATING

| *In millions of euros* | 31 December 2016 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Govies | | Agencies & supra sovereign | | Financial corporate | | Covered | | Other corporate | | Total | |
| **By external rating** | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value |
| AAA | 1,748 | 2,215 | 877 | 1,107 | 635 | 684 | 2,130 | 2,541 | 18 | 21 | **5,408** | **6,567** |
| AA+ | 1,625 | 1,933 | - | - | - | - | 397 | 424 | 198 | 216 | **2,220** | **2,573** |
| AA | 16,005 | 18,884 | 1,325 | 1,639 | - | - | 844 | 983 | 142 | 159 | **18,316** | **21,665** |
| AA- | 3,209 | 3,963 | 826 | 1,021 | 1,755 | 1,975 | - | - | 1,309 | 1,435 | **7,099** | **8,395** |
| A+ | 180 | 213 | 152 | 201 | 4,965 | 5,555 | 186 | 225 | 933 | 1,028 | **6,415** | **7,221** |
| A | 882 | 1,032 | 174 | 206 | 6,691 | 7,047 | 144 | 153 | 766 | 830 | **8,657** | **9,269** |
| A- | 541 | 654 | - | - | 3,359 | 3,531 | 258 | 287 | 2,305 | 2,599 | **6,462** | **7,070** |
| BBB+ | 2,708 | 3,163 | 78 | 76 | 2,761 | 2,944 | 272 | 318 | 2,663 | 2,859 | **8,483** | **9,360** |
| BBB | 5,298 | 6,267 | 272 | 290 | 2,172 | 2,314 | 36 | 43 | 949 | 996 | **8,726** | **9,911** |
| BBB- | 130 | 144 | - | - | 542 | 588 | - | - | 163 | 174 | **835** | **906** |
| BB+ | 186 | 197 | - | - | 482 | 536 | - | - | 122 | 126 | **790** | **859** |
| BB | - | - | - | - | 137 | 157 | - | - | - | - | **137** | **157** |
| BB- | - | - | - | - | - | - | - | - | - | - | **-** | **-** |
| B+ | - | - | - | - | - | - | - | - | 120 | 124 | **120** | **124** |
| NR | - | - | - | - | 480 | 485 | - | - | 149 | 161 | **629** | **645** |
| **TOTAL** | **32,513** | **38,665** | **3,705** | **4,541** | **23,978** | **25,816** | **4,265** | **4,974** | **9,836** | **10,726** | **74,297** | **84,721** |

| In millions of euros | Govies | | Agencies & supra sovereign | | Financial corporate | | Covered | | Other corporate | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | 31 December 2015 | |
| By external rating | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value | Net book value | Market value |
| AAA | 2,081 | 2,550 | 1,121 | 1,327 | 73 | 79 | 2,448 | 2,931 | 219 | 257 | **5,943** | **7,143** |
| AA+ | 1,741 | 2,138 | - | - | - | - | 271 | 314 | - | - | **2,012** | **2,453** |
| AA | 15,716 | 18,055 | 1,855 | 2,225 | 224 | 242 | 266 | 305 | 662 | 705 | **18,724** | **21,531** |
| AA- | 3,186 | 3,815 | 925 | 1,131 | 1,142 | 1,325 | 21 | 24 | 1,007 | 1,031 | **6,279** | **7,326** |
| A+ | 314 | 393 | 125 | 128 | 5,027 | 5,447 | - | - | 1,490 | 1,701 | **6,956** | **7,669** |
| A | - | - | 36 | 36 | 6,453 | 6,931 | 335 | 386 | 1,174 | 1,266 | **7,998** | **8,619** |
| A- | 1,862 | 2,077 | - | - | 2,862 | 2,953 | 887 | 1,022 | 1,100 | 1,223 | **6,711** | **7,274** |
| BBB+ | 2,409 | 2,812 | 58 | 47 | 2,582 | 2,743 | 237 | 266 | 1,861 | 1,980 | **7,147** | **7,847** |
| BBB | 5,113 | 6,430 | 272 | 293 | 1,562 | 1,651 | 231 | 269 | 989 | 1,098 | **8,167** | **9,742** |
| BBB- | - | - | 130 | 139 | 715 | 783 | 15 | 16 | 160 | 166 | **1,020** | **1,104** |
| BB+ | 92 | 104 | - | - | 525 | 586 | 183 | 197 | 136 | 145 | **936** | **1,031** |
| BB | - | - | 94 | 105 | 102 | 128 | - | - | 51 | 38 | **248** | **271** |
| BB- | - | - | - | - | - | - | - | - | - | - | **-** | **-** |
| B+ | - | - | - | - | - | - | 85 | 88 | 146 | 149 | **231** | **237** |
| NR | - | - | - | - | 176 | 198 | - | - | 126 | 136 | **302** | **333** |
| **TOTAL** | **32,513** | **38,375** | **4,617** | **5,431** | **21,443** | **23,064** | **4,980** | **5,818** | **9,121** | **9,894** | **72,674** | **82,582** |

## CHANGE IN THE VALUE OF ASSETS

BNP Paribas Cardif has limited exposure to the risk of a fall in asset values (interest rate, spread, equities, real estate). The mechanism involved in insurance contracts with a participation feature consists of passing on most of the change in the value of assets held in the general euro fund to the deferred participation reserve attributable to the policyholders.

Cardif Assurance Vie general fund's unrealised gains and losses are as follows:

### ➤ TABLE 93: CARDIF ASSURANCE VIE GENERAL FUND – UNREALISED GAINS AND LOSSES

| *In millions of euros* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Govies | 6,152 | 5,862 |
| Agencies & supra sovereign | 836 | 814 |
| Financial corporate | 1,838 | 1,621 |
| Covered | 709 | 838 |
| Other corporate | 889 | 773 |
| **TOTAL BONDS** | **10,424** | **9,908** |
| Equity | 2,868 | 2,499 |
| Real estate | 1,453 | 728 |
| Alternatives | 142 | 190 |
| Other | 508 | 241 |
| **TOTAL OTHER ASSETS** | **4,971** | **3,658** |
| **TOTAL** | **15,395** | **13,566** |

## INSURANCE UNDERWRITING RISK [Audited]

Underwriting risk arises mainly in the Savings business line due to surrender risk, and the Protection business, primarily with the sale of creditor insurance contracts worldwide.

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 exposed to the risk of surrender volumes being higher than the forecasts used for ALM purposes, which may force it to sell assets at a loss.

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 (one year) liquidity analyses are also carried out, which include various surrender rate increase assumptions to ensure that the Group can withstand stress situations ;
- in addition to the guaranteed return, policyholders are paid dividends that raise the total return to a level in line with market benchmarks. These dividends, which are partly discretionary, reduce the risk of an increase in surrender rates in periods of rising market interest rates. 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. It is one of Cardif Assurance Vie's essential strengths;
- the return on financial assets is protected mainly through the use of hedging instruments.

In 2016, BNP Paribas Cardif generated EUR 2.7 billion of net inflows on the general funds in France and internationally.

➤ **TABLE 94: AVERAGE REDEMPTION RATES FOR BNP PARIBAS CARDIF GENERAL FUNDS**

| | Annual redemption rate | |
|---|---|---|
| | 2016 | 2015 |
| France | 5.9% | 5.5% |
| Italy | 8.9% | 11.5% |
| Luxembourg | 8.3% | 6.9% |

### SAVINGS – UNIT-LINKED CONTRACTS WITH A GUARANTEED MINIMUM BENEFIT

The unit linked liabilities are equal to the sum of the market values of the assets held in the unit-linked portfolios. The insurer's liability is therefore covered by corresponding assets. The match between unit-linked liabilities and the related assets is controlled at monthly intervals.

Certain unit-linked contracts include whole life covers providing 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) and a maximum of EUR 765,000 per insured. In addition, the guarantee is not normally available beyond the insured's 80th birthday.

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 6.4 million at 31 December 2016 (*versus* EUR 7.3 million at 31 December 2015).

### 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, and annuity policies in France), with geographic coverage in many countries.

Creditor insurance mainly covers death, disability, critical illness, loss of employment and financial loss risks for 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 joint ventures in France and Italy, motor contracts (material damage, civil liability) and comprehensive household contracts are also underwritten. The Group is also developing this type of insurance coverage 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 (i) the principles, rules, methods and best practices to be followed by each actuary throughout the policies' life cycle, (ii) the tasks to be performed by the actuaries and their reporting obligations and (iii) 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, estimated maximum acceptable losses, estimated Solvency II capital requirements and 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 such as loan type for creditor insurance, the type of guarantee and the insured population. Each contract is priced by reference to the profitability and return-on-equity targets set by the Executive Management of BNP Paribas Cardif.

Reinsurance is a complementary element of the underwriting risk management system. Its objective is to protect BNP Paribas Cardif 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 foundations 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 BNP Paribas Cardif's Executive Committee in Commitment Monitoring Committees and Risk Committees, based on a two-prong 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).

Claims experience 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. Annuity risks are low.

Underwriting risks are covered by various technical reserves:

- the mathematical reserves in Life policy underwriting;
- 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.

# Appendices:

## Appendix 1: Exposures based on Financial Stability Board recommendations

### FUNDING THROUGH PROPRIETARY SECURITISATION

| Cash securitisation as at 31 December 2016<br>*In billions of euros* | Amount of securitised assets | Amount of notes | Securitised positions held | |
|---|---|---|---|---|
| | | | First losses | Others |
| **Personal Finance** | **3.7** | **3.4** | **0.3** | **1.3** |
| o/w Residential loans | 3.7 | 3.4 | 0.3 | 1.3 |
| o/w Consumer loans | | | | |
| o/w Lease receivables | | | | |
| **BNL** | **1.2** | **1.0** | **0.2** | **0.2** |
| o/w Residential loans | 1.2 | 1.0 | 0.2 | 0.2 |
| o/w Consumer loans | | | | |
| o/w Lease receivables | | | | |
| o/w Public sector | | | | |
| **TOTAL** | **4.9** | **4.4** | **0.5** | **1.6** |

Among the securitisation exposures originated by BNP Paribas at 31 December 2016, loans refinanced through securitisations amounted to EUR 4.9 billion, down EUR 1.6 billion compared with 31 December 2015, mainly due to the amortisation of the underlying loan portfolios.

EUR 1.6 billion of securitised positions were held at the end of 2016 (excluding first loss tranches).

# SENSITIVE LOAN PORTFOLIOS

## PERSONAL LOANS

| At 31 December 2016 | | Gross outstanding | | | | | Allowances | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | First Mortgage | | | | | | |
| *In billions of euros* | | Consumer | Full Doc | Alt A | Home Equity Loans | Total | Portfolio | Specific | Net exposure |
| US | | 16.4 | 9.1 | 0.1 | 3.5 | 29.2 | (0.3) | (0.0) | 28.8 |
| Super Prime | FICO(*) > 730 | 11.6 | 6.7 | 0.1 | 2.6 | 20.9 | - | - | 20.9 |
| Prime | 600 < FICO(*) < 730 | 4.8 | 2.2 | 0 | 0.9 | 8.0 | - | - | 8.0 |
| Subprime | FICO(*) < 600 | 0.1 | 0.1 | 0 | 0 | 0.3 | - | - | 0.3 |
| UK | | 2.3 | - | - | - | 2.3 | (0.1) | (0.3) | 1.9 |
| Spain | | 4.3 | 5.0 | - | - | 9.3 | (0.1) | (0.6) | 8.5 |

(*) *At origination.*

At 31 December 2016, the portfolio of personal loans, identified as potentially coming under the scope of the Financial Stability Board recommendations, was characterised by:

- the good quality of the US portfolio, with net exposure amounting to EUR 28.8 billion, down by EUR 2 billion compared with 31 December 2015, mainly in the Super Prime category (EUR -1.8 billion). The quality of the consumer loan portfolio is good;
- moderate exposure in the United Kingdom, amounting to EUR 1.9 billion, down by EUR 0.2 billion compared with 31 December 2015;
- well-secured exposure to risks in Spain through property collateral on the mortgage portfolio and a growing proportion of auto loans in the consumer loan portfolio.



## COMMERCIAL REAL ESTATE

| At 31 December 2016 | Gross exposure | | | | | Allowances | | |
|---|---|---|---|---|---|---|---|---|
| *In billions of euros* | Home Builders | Non residential developers | Property companies | Others(*) | Total | Portfolio | Specific | Net exposure |
| US | 1.3 | 1.7 | 0.5 | 10.0 | 13.5 | - | (0.0) | 13.5 |
| BancWest | 1.2 | 1.7 | 0.1 | 10.0 | 13.0 | - | (0.0) | 13.0 |
| CIB | 0.1 | - | 0.4 | 0 | 0.5 | - | - | 0.5 |
| UK | - | 0.4 | 1.0 | 1.1 | 2.5 | (0.0) | - | 2.5 |
| Spain | 0.1 | - | 0.1 | 0.2 | 0.4 | - | (0.0) | 0.4 |

(*) *Excluding owner-occupied and real estate backed loans to corporates.*

At 31 December 2016, the commercial real estate loan portfolio, identified as potentially coming under the scope of the Financial Stability Board recommendations, was characterised by:

- diversified, granular exposure in the United States, up EUR 3.0 billion compared with 31 December 2015, including an increase of EUR 2.3 billion in other commercial real estate sectors corresponding to the highly granular, well diversified, securitised financing of small property investment companies (mainly focused on office, commercial and residential buildings);
- exposure to the UK concentrated on large property investment companies, down by EUR 0.2 billion compared with 31 December 2015;
- 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 2015(***) | 31 December 2016 | | |
|---|---|---|---|---|
| | Net exposure | Gross exposure(*) | Allowances | Net exposure |
| **Total RMBS** | **2.3** | **1.8** | **(0.1)** | **1.7** |
| US | | | | |
| US Subprime | 0.0 | 0.0 | 0.0 | 0.0 |
| US Prime(**) | 0.1 | 0.0 | - | 0.0 |
| US Alternative-A | 0.0 | 0.0 | 0.0 | 0.0 |
| UK | | | | |
| UK Prime | 0.2 | 0.4 | - | 0.4 |
| UK Buy-to-let | 0.3 | 0.1 | - | 0.1 |
| UK Non-conforming | 0.4 | 0.3 | 0.0 | 0.3 |
| Spain | 0.5 | 0.4 | 0.0 | 0.3 |
| The Netherlands | 0.2 | 0.1 | 0.0 | 0.1 |
| Other countries | 0.6 | 0.5 | 0.0 | 0.5 |
| **Total CMBS** | **0.5** | **0.2** | **0.0** | **0.2** |
| US | 0.3 | 0.1 | - | 0.1 |
| Non US | 0.2 | 0.1 | 0.0 | 0.1 |
| **Total CDOs (cash and synthetic)** | **1.2** | **0.7** | **0.0** | **0.7** |
| RMBS | 0.4 | 0.1 | - | 0.1 |
| US | 0.0 | 0.0 | - | 0.0 |
| Non US | 0.4 | 0.1 | - | 0.1 |
| CMBS | 0.5 | 0.4 | 0.0 | 0.4 |
| **Total** | **3.6** | **2.5** | **(0.1)** | **2.4** |
| o/w Trading Book | 0.4 | 0.1 | - | 0.1 |
| **TOTAL SUBPRIME, ALT-A, US CMBS AND RELATED CDOS** | **1.5** | **0.8** | **0.0** | **0.8** |

(*) *Entry price + accrued interests – amortisation.*
(**) *Excluding Government Sponsored Entity backed securities.*
(***) *Restated following the adoption in 2016 for this reporting of the Group's regulatory metrics and referentials.*

At 31 December 2016, the banking book's net real estate-related ABS and CDO exposure stood at EUR 2.4 billion, down EUR 1.1 billion compared with 31 December 2015. 45% of the banking book assets are rated A or higher based on lowest of the S&P, Moody's and Fitch ratings. 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 2016 | | | |
|---|---|---|---|---|
| | Total(*) | Of which sovereign | Of which corporates | Of which other(**) |
| Exposure net collateral and provisions | 0.4 | - | 0.2 | 0.3 |

(*) *Excluding exposure to companies related to Greek interests (e.g.: shipping) that are not dependent on the country's economic situation (EUR 1.5 bn).*
(**) *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

| | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Banking book[1] | | | Trading book | | |
| | | | | | | Derivatives[2] | |
| Exposures *In millions of euros* | 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.*

| Exposures *In millions of euros* | 31 December 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | 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 | 2,463 | 2,463 | - | - | 462 | 19 | (4) |
| Belgium | 17,810 | 16,500 | 1,310 | - | (284) | 244 | (1) |
| France | 11,135 | 10,597 | 184 | - | (1,775) | (89) | (52) |
| Germany | 6,665 | 6,664 | - | - | 1,587 | 186 | (2) |
| Ireland | 1,439 | 1,246 | 193 | - | (3) | (93) | (3) |
| Italy | 12,570 | 12,205 | 365 | - | 423 | 6,869 | 12 |
| Netherlands | 4,655 | 4,655 | - | - | (778) | (2,673) | 7 |
| Portugal | 878 | 548 | 330 | - | 39 | (60) | 6 |
| Spain | 4,821 | 4,805 | 16 | - | 197 | 78 | - |
| Other euro zone countries | 752 | 597 | 156 | - | 121 | 77 | (3) |
| **Programme countries** | | | | | | | |
| Greece | - | - | - | - | (1) | 115 | 12 |
| **TOTAL EURO ZONE** | **63,188** | **60,281** | **2,553** | **-** | **(12)** | **4,673** | **(28)** |
| **Other European Economic Area countries** | | | | | | | |
| Poland | 2,133 | 2,132 | - | - | 15 | (5) | 3 |
| United Kingdom | 5,400 | 4,293 | - | 1,107 | (1,183) | 4 | (2) |
| Other EEA countries | 455 | 439 | 16 | - | 162 | (71) | - |
| **TOTAL OTHER EEA COUNTRIES** | **7,987** | **6,864** | **16** | **1,107** | **(1,006)** | **(72)** | **2** |
| **TOTAL EEA** | **71,175** | **67,146** | **2,569** | **1,107** | **(1,018)** | **4,601** | **(26)** |
| United States | 10,294 | 10,208 | 86 | - | 4,257 | 16 | - |
| Japan | 535 | 535 | - | - | 2,000 | (4,011) | 11 |
| Turkey | 1,461 | 1,271 | 83 | - | 416 | 2 | 11 |
| Others | 13,382 | 10,727 | 2,656 | - | 3,267 | 528 | 156 |
| **TOTAL** | **96,847** | **89,886** | **5,394** | **1,107** | **8,922** | **1,136** | **153** |

*(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 2016 | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|
| *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 | 26,995 | - | 26,970 | - | 6 | - |
| | *of which ordinary shares* | *26,995* | - | *26,970* | - | - | - |
| 2 | Retained earnings | 52,070 | - | 48,686 | - | - | - |
| 3 | Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) | 6,169 | - | 6,736 | - | 8 | - |
| 3a | Funds for general banking risk | - | - | - | - | - | - |
| 4 | Amounts of qualifying items referred to in a1rticle 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) | 2,837 | 854 | 2,706 | 1,047 | 10 | (1) |
| 5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 3,979 | - | 3,536 | - | 9 | (2) |
| **6** | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **92,051** | **854** | **88,634** | **1,047** | **-** | **-** |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | | | | | | |
| 7 | Additional value adjustments (negative amount) | (1,018) | - | (1,120) | - | - | - |
| 8 | Intangible assets (net of related tax liability) (negative amount) | (13,431) | - | (13,509) | - | 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) | (378) | 506 | (139) | 871 | - | - |
| 11 | Fair value reserves related to gains or losses on cash flow hedges | (1,154) | - | (1,353) | - | - | - |

| *In millions of euros* | | 31 December 2016 | | 31 December 2015 | | Reference to table 6 | Notes |
|---|---|---|---|---|---|---|---|
| | | Phased-in | Transitional arrangements(*) | Phased-in | Transitional arrangements(*) | | |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | (1,034) | 12 | (865) | 16 | - | - |
| 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 | 195 | 45 | 219 | 90 | - | - |
| 15 | Defined-benefit pension fund assets (negative amount) | (141) | - | (138) | - | - | - |
| 16 | Direct and indirect holdings by an institution of own CET1 instruments (negative amount) | (67) | 45 | (100) | 149 | - | - |
| 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 1250%, where the institution opts for the deduction alternative | - | - | - | - | - | - |
| 20b | *of which: qualifying holdings outside the financial sector (negative amount)* | - | - | - | - | - | - |
| 20c | *of which: securitisation positions (negative amount)* | - | - | - | - | - | - |
| 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) | - | - | - | - | - | - |

| | In millions of euros | 31 December 2016 Phased-in | 31 December 2016 Transitional arrangements(*) | 31 December 2015 Phased-in | 31 December 2015 Transitional arrangements(*) | Reference to table 6 | Notes |
|---|---|---|---|---|---|---|---|
| 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* | - | - | - | - | - | - |
| 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 | (948) | (948) | (2,067) | (1,478) | - | - |
| | *of which: … unrealised gains (phase out)* | *(803)* | *(803)* | *(1,478)* | *(1,478)* | - | - |
| | *of which: … unrealised losses (phase out)* | - | - | - | - | - | - |
| | *of which: unrealised gains linked to exposures to central administrations (phase out)* | *(145)* | *(145)* | *(589)* | - | - | - |
| | *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)** | **(17,976)** | **(341)** | **(19,072)** | **(352)** | **-** | **-** |
| **29** | **Common Equity Tier 1 (CET1) capital** | **74,075** | **513** | **69,562** | **695** | **-** | **-** |
| **Additional Tier 1 (AT1) capital: instruments** | | | | | | | |
| 30 | Capital instruments and the related share premium accounts | 4,120 | - | 2,096 | - | - | - |
| 31 | *of which: classified as equity under applicable accounting standards* | *4,120* | - | *2,096* | - | *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 | 4,310 | 1,275 | 5,759 | 2,724 | 7 | - |
| | Public sector capital injections grandfathered until 1 January 2018 | - | - | - | - | - | - |

| In millions of euros | | 31 December 2016 | | 31 December 2015 | | Reference to table 6 | Notes |
|---|---|---|---|---|---|---|---|
| | | Phased-in | Transitional arrangements(*) | Phased-in | Transitional arrangements(*) | | |
| 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 | 379 | 139 | 304 | 221 | - | - |
| 35 | *of which: instruments issued by subsidiaries subject to phase out* | *235* | *235* | *271* | *271* | *4* | (4) |
| **36** | **Additional Tier 1 (AT1) capital before regulatory adjustments** | **8,809** | **1,414** | **8,159** | **2,945** | **-** | **-** |
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | | | | | | | |
| 37 | Direct and indirect holdings by an institution of own AT1 instruments (negative amount) | (8) | 5 | (14) | 21 | - | - |
| 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 | (16) | (16) | (49) | (49) | - | - |
| 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 | (708) | (708) | (804) | (804) | 1 | (5) |

| *In millions of euros* | | 31 December 2016 Phased-in | 31 December 2016 Transitional arrangements(*) | 31 December 2015 Phased-in | 31 December 2015 Transitional arrangements(*) | Reference to table 6 | Notes |
|---|---|---|---|---|---|---|---|
| 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** | **(732)** | **(719)** | **(867)** | **(832)** | **-** | **-** |
| **44** | **Additional Tier 1 (AT1) capital** | **8,077** | **695** | **7,292** | **2,113** | **-** | **-** |
| **45** | **Tier 1 capital (T1=CET1+AT1)** | **82,152** | **1,208** | **76,854** | **2,808** | **-** | **-** |
| **Tier 2 (T2) capital: instruments and provisions** | | | | | | | |
| 46 | Capital instruments and the related share premium accounts | 12,247 | - | 8,820 | - | 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 | (506) | 50 | 50 | 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 | 922 | 117 | 2,109 | 134 | 5 | (6) |
| 49 | *of which: instruments issued by subsidiaries subject to phase out* | *162* | *162* | *723* | *167* | - | - |
| 50 | Credit risk adjustments | - | - | - | - | - | - |
| **51** | **Tier 2 (T2) capital before regulatory adjustments** | **13,218** | **(389)** | **10,979** | **184** | **-** | **-** |
| **Tier 2 (T2) capital: regulatory adjustments** | | | | | | | |
| 52 | Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount) | (84) | 56 | (36) | 54 | - | - |
| 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) | (49) | 15 | (40) | 24 | - | - |
| 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) | - | - | - | - | - | - |

| | *In millions of euros* | 31 December 2016 Phased-in | 31 December 2016 Transitional arrangements(*) | 31 December 2015 Phased-in | 31 December 2015 Transitional arrangements(*) | Reference to table 6 | Notes |
|---|---|---|---|---|---|---|---|
| 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) | (2,783) | 696 | (1,837) | 787 | 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) | - | - | - | - | - | - |
| 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** | **(2,917)** | **767** | **(1,913)** | **865** | **-** | **-** |
| **58** | **Tier 2 (T2) capital** | **10,302** | **378** | **9,066** | **1,049** | **-** | **-** |
| **59** | **Total capital (TC=T1+T2)** | **92,454** | **1,585** | **85,920** | **3,857** | **-** | **-** |
| 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)* | - | - | - | - | | |

| *In millions of euros* | | 31 December 2016 | | 31 December 2015 | | Reference to table 6 | Notes |
|---|---|---|---|---|---|---|---|
| | | Phased-in | Transitional arrangements(*) | Phased-in | Transitional arrangements(*) | | |
| | *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** | **638,207** | **(2,466)** | **629,626** | **(3,901)** | | |
| **Capital ratios and buffers** | | | | | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk exposure amount) | 11.6% | 0.1% | 11.0% | 0.1% | | |
| 62 | Tier 1 (as a percentage of risk exposure amount) | 12.9% | 0.2% | 12.2% | 0.5% | | |
| 63 | Total capital (as a percentage of risk exposure amount) | 14.5% | 0.3% | 13.6% | 0.6% | | |
| 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) | 1.125% | 3.375% | 0.0% | 4.5% | | |
| 65 | *of which: capital conservation buffer requirement* | *0.625%* | *1.875%* | *0.0%* | *2.5%* | | |
| 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* | *0.5%* | *1.5%* | *0.0%* | *2.0%* | | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 7.1% | 0.1% | 6.5% | 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 (before 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) | 2,757 | (266) | 2,434 | (361) | 2 | (7) |

| | | 31 December 2016 | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|
| *In millions of euros* | | Phased-in | Transitional arrangements(*) | Phased-in | Transitional arrangements(*) | Reference to table 6 | Notes |
| 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) | 3,604 | (71) | 3,501 | (78) | 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) | 3,699 | - | 3,769 | - | - | - |
| **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 | 2,901 | - | 2,901 | - | - | - |
| 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 | 1,566 | - | 1,496 | - | - | - |
| **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 | 6,070 | - | 7,081 | - | - | - |
| 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 | 1,112 | - | 1,298 | - | - | - |
| 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 2016 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 preference 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 Banks 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 originate in the banking book, detailed in the table showing the transition from the consolidated accounting balance sheet to the prudential balance sheet, as well in the trading books.*

# Appendix 4: Countercyclical capital buffer

The amount of the capital buffer specific to BNP Paribas is given in the table below, according to Table 2 of Annex 1 of the Commission Delegated Regulation (EU) No. 2015/1555 of 28 May 2015.

### ➤ AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

| *In millions of euros* | | 31 December 2016 |
|---|---|---|
| 010 | Total risk exposure amount | 638,207 |
| 020 | Institution specific countercyclical buffer rate | n.s. |
| 030 | Institution specific countercyclical buffer requirement | 0 |

At 31 December 2016, the countercyclical capital buffer specific to BNP Paribas is immaterial.

The institution-specific 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.

The following table is based on the format of Table 1 of Annex 1 of Commission Delegated Regulation (EU) No. 2015/1555 of 28 May 2015. The geographical breakdown of exposures is presented in accordance with Commission Delegated Regulation (EU) No. 1152/2014 of 4 June 2014. At 31 December 2016, only the following countries had a non-zero rate: Sweden (1.5%), Norway (1.5%), and Hong Kong (0.625%).

### ➤ GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

| | | 31 December 2016 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | Countercyclical capital buffer rate |
| *In millions of euros* | | 010 | 020 | 050 | 060 | 070 | 080 | 090 | 100 | 110 | 120 |
| 010 | Breakdown by country | | | | | | | | | | |
| | Europe(*) | 188,089 | 575,184 | 786 | 8,881 | 27,299 | 1,589 | 324 | 29,212 | 0.69 | |
| | of which Norway | 178 | 1,999 | - | - | 59 | - | - | 59 | 0 | 1.500% |
| | of which Sweden | 950 | 958 | - | - | 95 | - | - | 95 | 0 | 1.500% |
| | North America | 81,499 | 61,276 | 12 | 15,806 | 6,579 | 60 | 384 | 7,023 | 0.17 | 0.000% |
| | Asia Pacific | 5,901 | 40,804 | - | 657 | 2,331 | 1 | 4 | 2,336 | 0.06 | |
| | of which Hong Kong | 1,833 | 6,094 | - | - | 320 | 1 | - | 321 | 0.01 | 0.625% |
| | Rest of the World | 36,876 | 34,144 | - | - | 3,514 | 5 | - | 3,519 | 0.08 | |
| **020** | **TOTAL** | **312,365** | **711,408** | **799** | **25,344** | **39,723** | **1,655** | **712** | **42,091** | **1** | |

(*) *Within the European Free Trade Association, EFTA.*

# 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* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | RWAs | Capital requirements | RWAs | Capital requirements |
| **Credit risk** | **124,179** | **9,934** | **111,894** | **8,952** |
| **Credit risk – IRB approach** | **56,180** | **4,494** | **51,738** | **4,139** |
| Central governments and central banks | 992 | 79 | 974 | 78 |
| Corporates | 39,060 | 3,125 | 34,900 | 2,792 |
| Institutions | 1,268 | 101 | 1,437 | 115 |
| Retail | 14,707 | 1,177 | 14,292 | 1,143 |
| *Real estate loans* | *10,276* | *822* | *10,061* | *805* |
| *Revolving exposures* | *77* | *6* | *76* | *6* |
| *Other exposures* | *4,353* | *348* | *4,154* | *332* |
| Other non credit-obligation assets | 153 | 12 | 136 | 11 |
| **Credit risk – Standardised approach** | **67,998** | **5,440** | **60,156** | **4,812** |
| Central governments and central banks | 2,646 | 212 | 2,661 | 213 |
| Corporates | 26,094 | 2,088 | 23,533 | 1,883 |
| Institutions | 1,027 | 82 | 1,494 | 120 |
| Retail | 22,494 | 1,800 | 21,681 | 1,734 |
| *Real estate loans* | *5,072* | *406* | *3,419* | *274* |
| *Revolving exposures* | *147* | *12* | *151* | *12* |
| *Other exposures* | *17,276* | *1,382* | *18,111* | *1,449* |
| Other non credit-obligation assets | 15,737 | 1,259 | 10,787 | 863 |
| **Banking book securitisation positions** | **1,238** | **99** | **1,692** | **135** |
| Securitisation positions – IRB approach | 1,238 | 99 | 1,692 | 135 |
| **Counterparty credit risk** | **2,004** | **160** | **1,972** | **158** |
| **Counterparty credit risk – IRB approach** | **1,552** | **124** | **1,621** | **130** |
| Counterparty credit risk – excl. CCP and CVA charges | 1,552 | 124 | 1,621 | 130 |
| *Central governments and central banks* | *6* | *0* | *5* | *0* |
| *Corporates* | *1,334* | *107* | *1,316* | *105* |
| *Institutions* | *209* | *17* | *299* | *24* |
| *Retail* | *2* | *0* | *1* | *0* |
| **Counterparty credit risk – Standardised approach** | **452** | **36** | **351** | **28** |
| CCP – default fund contributions | 53 | 4 | 19 | 2 |
| CCP- excl. default fund contributions | 31 | 2 | 29 | 2 |
| CVA Charge | 115 | 9 | 111 | 9 |
| Counterparty credit risk – excl. CCP and CVA charges | 252 | 20 | 192 | 15 |
| *Corporates* | *164* | *13* | *127* | *10* |
| *Institutions* | *81* | *6* | *59* | *5* |
| *Retail* | *8* | *1* | *6* | *0* |
| **Equity risk** | **12,228** | **978** | **12,078** | **966** |
| Simple weighting method | 10,903 | 872 | 9,777 | 782 |
| *Private equity exposures in diversified portfolios* | *823* | *66* | *494* | *40* |
| *Listed equities* | *476* | *38* | *224* | *18* |
| *Other equity exposures* | *9,605* | *768* | *9,059* | *725* |
| Standardised approach | 1,325 | 106 | 2,301 | 184 |
| **Market risk** | **489** | **39** | **400** | **32** |
| Standardised approach | 489 | 39 | 400 | 32 |
| **Operational risk** | **13,311** | **1,065** | **10,917** | **873** |
| Advanced Measurement Approach (AMA) | 7,900 | 632 | 6,467 | 517 |
| Standardised approach | 1,501 | 120 | 805 | 64 |
| Basic indicator approach | 3,910 | 313 | 3,645 | 292 |
| **TOTAL** | **153,448** | **12,276** | **138,952** | **11,116** |

## BNL

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | **RWAs** | **Capital requirements** | **RWAs** | **Capital requirements** |
| **Credit risk** | **36,112** | **2,889** | **39,819** | **3,185** |
| **Credit risk – IRB approach** | **30,027** | **2,402** | **33,248** | **2,660** |
| Central governments and central banks | 34 | 3 | 25 | 2 |
| Corporates | 16,699 | 1,336 | 20,626 | 1,650 |
| Institutions | 438 | 35 | 396 | 32 |
| Retail | 12,855 | 1,028 | 12,200 | 976 |
| *Real estate loans* | *4,576* | *366* | *5,106* | *408* |
| *Other exposures* | *8,279* | *662* | *7,094* | *568* |
| **Credit risk – Standardised approach** | **6,086** | **487** | **6,571** | **526** |
| Central governments and central banks | 6 | 0 | 3 | 0 |
| Corporates | 541 | 43 | 592 | 47 |
| Institutions | 1,015 | 81 | 1,653 | 132 |
| Retail | 1,721 | 138 | 1,511 | 121 |
| *Real estate loans* | *39* | *3* | *348* | *28* |
| *Other exposures* | *1,682* | *135* | *1,162* | *93* |
| Other non credit-obligation assets | 2,803 | 224 | 2,812 | 225 |
| **Banking book securitisation positions** | **128** | **10** | **161** | **13** |
| Securitisation positions – standardised approach | 10 | 1 | 10 | 1 |
| Securitisation positions – IRB approach | 117 | 9 | 151 | 12 |
| **Counterparty credit risk** | **420** | **34** | **464** | **37** |
| **Counterparty credit risk – Standardised approach** | **420** | **34** | **464** | **37** |
| CVA Charge | 62 | 5 | 88 | 7 |
| Counterparty credit risk – excl. CCP and CVA charges | 358 | 29 | 376 | 30 |
| *Corporates* | *310* | *25* | *320* | *26* |
| *Institutions* | *49* | *4* | *56* | *4* |
| **Equity risk** | **1,333** | **107** | **1,170** | **94** |
| Simple weighting method | 1,324 | 106 | 1,158 | 93 |
| *Listed equities* | *140* | *11* | *2* | *0* |
| *Other equity exposures* | *1,184* | *95* | *1,156* | *92* |
| Standardised approach | 9 | 1 | 13 | 1 |
| **Market risk** | **0** | **0** | **1** | **0** |
| Standardised approach | 0 | 0 | 1 | 0 |
| **Operational risk** | **4,535** | **363** | **4,061** | **325** |
| Advanced Measurement Approach (AMA) | 4,379 | 350 | 3,926 | 314 |
| Standardised approach | 100 | 8 | 82 | 7 |
| Basic indicator approach | 56 | 4 | 53 | 4 |
| **TOTAL** | **42,528** | **3,402** | **45,677** | **3,654** |

## BANCWEST

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | RWAs | Capital requirements | RWAs | Capital requirements |
| **Credit risk** | **57,413** | **4,593** | **55,394** | **4,432** |
| **Credit risk – Standardised approach** | **57,413** | **4,593** | **55,394** | **4,432** |
| Central governments and central banks | 5 | 0 | 8 | 1 |
| Corporates | 33,379 | 2,670 | 34,794 | 2,784 |
| Institutions | 926 | 74 | 961 | 77 |
| Retail | 20,508 | 1,641 | 15,995 | 1,280 |
| *Real estate loans* | *5,049* | *404* | *3,613* | *289* |
| *Revolving exposures* | *424* | *34* | *401* | *32* |
| *Other exposures* | *15,035* | *1,203* | *11,981* | *959* |
| Other non credit-obligation assets | 2,594 | 208 | 3,635 | 291 |
| **Banking book securitisation positions** | **2** | **0** | **18** | **1** |
| Securitisation positions – Standardised approach | 2 | 0 | 18 | 1 |
| **Counterparty credit risk** | **279** | **22** | **267** | **21** |
| **Counterparty credit risk – Standardised approach** | **279** | **22** | **267** | **21** |
| CVA Charge | 15 | 1 | 45 | 4 |
| Counterparty credit risk – excl. CCP and CVA charges | 264 | 21 | 222 | 18 |
| *Corporates* | *255* | *20* | *201* | *16* |
| *Institutions* | *9* | *1* | *21* | *2* |
| **Equity risk** | **46** | **4** | **36** | **3** |
| Simple weighting method | 46 | 4 | 36 | 3 |
| *Listed equities* | *5* | *0* | *2* | *0* |
| *Other equity exposures* | *41* | *3* | *34* | *3* |
| **Market risk** | **0** | **0** | **1** | **0** |
| Standardised approach | 0 | 0 | 1 | 0 |
| **Operational risk** | **3,919** | **314** | **3,518** | **281** |
| Standardised approach | 3,919 | 314 | 3,518 | 281 |
| **TOTAL** | **61,660** | **4,933** | **59,234** | **4,739** |

## BNP PARIBAS PERSONAL FINANCE

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | RWAs | Capital requirements | RWAs | Capital requirements |
| **Credit risk** | **45,829** | **3,666** | **43,721** | **3,498** |
| **Credit risk – IRB approach** | **11,574** | **926** | **10,771** | **862** |
| Retail | 11,574 | 926 | 10,771 | 862 |
| *Revolving exposures* | *3,943* | *315* | *4,200* | *336* |
| *Other exposures* | *7,631* | *611* | *6,571* | *526* |
| **Credit risk – Standardised approach** | **34,255** | **2,740** | **32,950** | **2,636** |
| Central governments and central banks | 2 | 0 | 63 | 5 |
| Corporates | 1,539 | 123 | 1,179 | 94 |
| Institutions | 382 | 31 | 476 | 38 |
| Retail | 31,099 | 2,488 | 30,057 | 2,405 |
| *Real estate loans* | *8,538* | *683* | *10,372* | *830* |
| *Revolving exposures* | *1,543* | *123* | *1,356* | *108* |
| *Other exposures* | *21,018* | *1,681* | *18,329* | *1,466* |
| Other non credit-obligation assets | 1,233 | 99 | 1,175 | 94 |
| **Banking book securitisation positions** | **0** | **0** | **0** | **0** |
| **Counterparty credit risk** | **44** | **3** | **92** | **7** |
| **Counterparty credit risk – Standardised approach** | **44** | **3** | **92** | **7** |
| CVA Charge | 38 | 3 | 81 | 7 |
| Counterparty credit risk – excl. CCP and CVA charges | 6 | 0 | 10 | 1 |
| *Central governments and central banks* | *0* | *0* | *0* | *0* |
| *Institutions* | *6* | *0* | *10* | *1* |
| **Equity risk** | **1,965** | **157** | **1,610** | **129** |
| Simple weighting method | 167 | 13 | 116 | 9 |
| *Listed equities* | *0* | *0* | *0* | *0* |
| *Other equity exposures* | *167* | *13* | *116* | *9* |
| Standardised approach | 1,798 | 144 | 1,494 | 119 |
| **Market risk** | **0** | **0** | **77** | **6** |
| Standardised approach | 0 | 0 | 77 | 6 |
| **Operational risk** | **4,909** | **393** | **4,503** | **360** |
| Advanced Measurement Approach (AMA) | 3,490 | 279 | 3,092 | 247 |
| Standardised approach | 868 | 69 | 881 | 70 |
| Basic indicator approach | 551 | 44 | 530 | 42 |
| **TOTAL** | **52,747** | **4,220** | **50,002** | **4,000** |

## BGL BNP PARIBAS

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | RWAs | Capital requirements | RWAs | Capital requirements |
| **Credit risk** | **20,199** | **1,616** | **21,553** | **1,724** |
| **Credit risk – IRB approach** | **5,502** | **440** | **4,728** | **378** |
| Central governments and central banks | 466 | 37 | 469 | 38 |
| Corporates | 3,671 | 294 | 2,727 | 218 |
| Institutions | 31 | 2 | 200 | 16 |
| Retail | 1,261 | 101 | 1,269 | 101 |
| *Real estate loans* | *754* | *60* | *668* | *53* |
| *Other exposures* | *508* | *41* | *601* | *48* |
| Other non credit-obligation assets | 72 | 6 | 64 | 5 |
| **Credit risk – Standardised approach** | **14,697** | **1,176** | **16,825** | **1,346** |
| Central governments and central banks | 1 | 0 | 0 | 0 |
| Corporates | 7,472 | 598 | 8,488 | 679 |
| Institutions | 146 | 12 | 256 | 20 |
| Retail | 5,837 | 467 | 6,287 | 503 |
| *Other exposures* | *5,837* | *467* | *6,287* | *503* |
| Other non credit-obligation assets | 1,242 | 99 | 1,794 | 144 |
| **Banking book securitisation positions** | **48** | **4** | **57** | **5** |
| Securitisation positions – IRB approach | 48 | 4 | 57 | 5 |
| **Counterparty credit risk** | **52** | **4** | **39** | **3** |
| **Counterparty credit risk – IRB approach** | **48** | **4** | **38** | **3** |
| Counterparty credit risk – excl. CCP and CVA charges | 48 | 4 | 38 | 3 |
| *Corporates* | *44* | *4* | *34* | *3* |
| *Institutions* | *1* | *0* | *3* | *0* |
| *Retail* | *2* | *0* | *1* | *0* |
| **Counterparty risk – Standardised approach** | **5** | **0** | **2** | **0** |
| CVA Charge | 5 | 0 | 2 | 0 |
| Counterparty credit risk – excl. CCP and CVA charges | 0 | 0 | 0 | 0 |
| *Corporates* | *0* | *0* | *0* | *0* |
| *Institutions* | *0* | *0* | *0* | *0* |
| **Equity risk** | **1,020** | **82** | **1,044** | **84** |
| Simple weighting method | 815 | 65 | 618 | 49 |
| *Private equity exposures in diversified portfolios* | *7* | *1* | *6* | *1* |
| *Listed equities* | *78* | *6* | *1* | *0* |
| *Other equity exposures* | *729* | *58* | *611* | *49* |
| Standardised approach | 205 | 16 | 427 | 34 |
| **Market risk** | **28** | **2** | **127** | **10** |
| Standardised approach | 28 | 2 | 127 | 10 |
| **Operational risk** | **1,496** | **120** | **1,500** | **120** |
| Advanced Measurement Approach (AMA) | 1,284 | 103 | 1,210 | 97 |
| Standardised approach | 187 | 15 | 172 | 14 |
| Basic indicator approach | 26 | 2 | 117 | 9 |
| **TOTAL** | **22,844** | **1,827** | **24,322** | **1,946** |

## TEB GROUP

| *In millions of euros* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | RWAs | Capital requirements | RWAs | Capital requirements |
| **Credit risk** | **17,115** | **1,369** | **19,187** | **1,535** |
| **Credit risk – IRB approach** | **140** | **11** | **101** | **8** |
| Corporates | 140 | 11 | 101 | 8 |
| **Credit risk – Standardised approach** | **16,975** | **1,358** | **19,085** | **1,527** |
| Central governments and central banks | 2,561 | 205 | 2,571 | 206 |
| Corporates | 6,337 | 507 | 7,140 | 571 |
| Institutions | 451 | 36 | 800 | 64 |
| Retail | 7,186 | 575 | 8,069 | 646 |
| *Real estate loans* | *86* | *7* | *77* | *6* |
| *Other exposures* | *7,100* | *568* | *7,992* | *639* |
| Other non credit-obligation assets | 439 | 35 | 506 | 40 |
| **Banking book securitisation positions** | **0** | **0** | **0** | **0** |
| **Counterparty credit risk** | **249** | **20** | **192** | **15** |
| **Counterparty credit risk – Standardised approach** | **249** | **20** | **192** | **15** |
| CVA Charge | 85 | 7 | 65 | 5 |
| Counterparty credit risk – excl. CCP and CVA charges | 163 | 13 | 127 | 10 |
| *Corporates* | *91* | *7* | *76* | *6* |
| *Institutions* | *65* | *5* | *45* | *4* |
| *Retail* | *8* | *1* | *6* | *0* |
| **Equity risk** | **37** | **3** | **106** | **8** |
| Simple weighting method | 37 | 3 | 106 | 8 |
| *Other equity exposures* | *37* | *3* | *106* | *8* |
| **Market risk** | **271** | **22** | **69** | **6** |
| Standardised approach | 271 | 22 | 69 | 6 |
| **Operational risk** | **1,970** | **158** | **1,891** | **151** |
| Basic indicator approach | 1,970 | 158 | 1,891 | 151 |
| **TOTAL** | **19,642** | **1,571** | **21,445** | **1,716** |

# Appendix 6: List of tables and figures

# Appendix 7: Table of concordance between the Enhanced Disclosure Task Force (EDTF) recommendations and the Registration document

| List of EDTF recommendations | | Registration document and annual financial report 2016 Management report and other | Consolidated financial statements | Risks and capital adequacy (Pillar3) |
|---|---|---|---|---|
| **Overview** | | | | |
| 1 | Pillar 3 information | | | p. 235-236; 243; 262-263; 265; 406-408 |
| 2 | Risk categories | | | p. 282; 320; 330; 340; 356; 360; 371; 378 |
| 3 | Top risks and emerging risks | | | p. 241-253 |
| 4 | Regulatory ratios | p. 105; 128 | | p. 238; 239; 269-270; 271; 366 |
| **Governance, risk management and *business model*** | | | | |
| 5 | Organisation of governance and risk management | p. 71; 89-95 | | p. 275-277; 278-279; 284-285; 321; 330-331; 344-345; 360-361; 372-373; 378 |
| 6 | Risk culture | p. 62 | | p. 277-278 |
| 7 | Risk mapping | | | p. 239; 262-263; 265 |
| 8 | Stress test | p. 70 | | p. 267; 279-281; 286; 332; 353-354; 365 |
| **Capital requirement and risk-weighted assets** | | | | |
| 9 | Minimum capital requirements | p. 128 | | p. 238; 266-270; 398 |
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# Appendix 8: 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 |
| 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 |
| FBF | Fédération Bancaire Française |

| Acronyms | |
|---|---|
| FSB | Financial Stability Board |
| G-SIBs | Global Systemically Important Banks |
| GDP | Gross Domestic Product |
| GRR | Global Recovery Rate |
| 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 |
| 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 and Evaluation 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 2016

# 6.1 BNP Paribas SA financial statements

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

| *In millions of euros* | Note | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|---|
| Interest income | 2.a | 13,842 | 13,864 |
| Interest expense | 2.a | (8,731) | (8,849) |
| Income on equities and other variable instruments | 2.b | 9,515 | 5,903 |
| Commission income | 2.c | 4,860 | 5,170 |
| Commission expense | 2.c | (986) | (971) |
| Gains or losses on trading account securities | 2.d | 3,155 | 2,441 |
| Gains or losses on securities available for sale | 2.e | 881 | 342 |
| Other banking income | | 205 | 212 |
| Other banking expenses | | (82) | (162) |
| **REVENUES** | | **22,659** | **17,950** |
| Salaries and employee benefit expenses | 5.a | (6,441) | (5,850) |
| Other administrative expenses | | (4,276) | (4,249) |
| Depreciation, amortisation and impairment on tangible, and intangible assets | | (613) | (1,472) |
| **GROSS OPERATING INCOME** | | **11,329** | **6,379** |
| Cost of risk | 2.f | (577) | (636) |
| **OPERATING INCOME** | | **10,752** | **5,743** |
| Net gain or loss on disposals of long-term investments | 2.g | (1,258) | 546 |
| Write-backs from regulated provisions | | 50 | 17 |
| **INCOME BEFORE TAX** | | **9,544** | **6,306** |
| Corporate income tax | 2.h | (278) | (74) |
| **NET INCOME** | | **9,266** | **6,232** |

## BALANCE SHEET AT 31 DECEMBER 2016

| *In millions of euros, at* | Note | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| ASSETS | | | |
| Cash and amounts due from central banks | | 109,811 | 83,794 |
| Treasury bills and money-market instruments | 3.c | 143,352 | 117,244 |
| Due from credit institutions | 3.a | 217,726 | 249,561 |
| Customer items | 3.b | 415,693 | 370,341 |
| Bonds and other fixed-income securities | 3.c | 93,648 | 114,397 |
| Equities and other variable-income securities | 3.c | 1,752 | 2,179 |
| Investments in subsidiaries and equity securities held for long-term investment | 3.c | 4,311 | 4,507 |
| Investments in affiliates | 3.c | 64,922 | 59,278 |
| Leasing receivables | | 25 | - |
| Intangible assets | 3.j | 2,798 | 4,481 |
| Tangible assets | 3.j | 2,506 | 2,429 |
| Treasury shares | 3.d | 41 | 81 |
| Other assets | 3.h | 178,068 | 193,931 |
| Accrued income | 3.i | 81,590 | 89,983 |
| **TOTAL ASSETS** | | **1,316,243** | **1,292,206** |
| LIABILITIES | | | |
| Due to central banks | | 542 | 2,452 |
| Due to credit institutions | 3.a | 224,537 | 267,337 |
| Customer items | 3.b | 498,962 | 416,478 |
| Debt securities | 3.f | 132,809 | 139,910 |
| Other liabilities | 3.h | 289,314 | 300,924 |
| Accrued income | 3.i | 75,622 | 81,629 |
| Provisions | 3.k | 3,030 | 3,111 |
| Subordinated debt | 3.l | 23,493 | 18,798 |
| **TOTAL LIABILITIES** | | **1,248,309** | **1,230,639** |
| SHAREHOLDERS' EQUITY | 6.b | | |
| Share capital | | 2,494 | 2,493 |
| Additional paid-in capital | | 23,090 | 23,066 |
| Reserves and Retained earnings | | 33,084 | 29,776 |
| Net income | | 9,266 | 6,232 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **67,934** | **61,567** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **1,316,243** | **1,292,206** |

| Off-balance sheet | Note | 31 December 2016 | 31 December 2015 |
|---|---|---|---|
| **Commitments given** | | | |
| Financing commitments | 4.a | 241,718 | 239,518 |
| Guarantee commitments | 4.b | 109,537 | 114,269 |
| Commitments given on securities | | 13,886 | 9,363 |
| **Commitments received** | | | |
| Financing commitments | 4.a | 130,651 | 123,892 |
| Guarantee commitments | 4.b | 226,646 | 215,806 |
| Commitments received on securities | | 11,253 | 9,179 |

# 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 regulation 2014-07 of 26 November 2014.*

As part of the implementation of the 2013/34/EU Accounting Directive, the ANC (French Accounting Standards Authority) published Regulation ANC 2015-06 amending the PCG (French General Accounting Plan). This regulation applies prospectively to financial years beginning on, or after, 1 January 2016. The impacts on the 2016 financial year are shown in appendices 3e and 3j.

The major changes from this regulation concern "the treatment of" the goodwill and the merger premium in the financial statements and are described in the Fixed assets section below.

### 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 classified 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 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 at the current value of the difference 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. Doubtful loans that have been restructured are also reclassified as sound, provided that the restructuring terms are met.

Irrecoverable loans include loans to borrowers whose credit standing is such that after a reasonable time recorded in 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".

The difference between cost and the redemption price of fixed-income securities purchased on the secondary market 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.

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 stocks corresponds primarily 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 "Equity 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

Investments in non-consolidated undertakings include investments in 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 participating interests consist of shares and other variable income investments in companies over which BNP Paribas SA has exclusive control (i.e. companies that could be fully incorporated 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 an 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-month 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 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 are 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 approbation 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 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 the merger premium (hereinafter ANC Regulation 2015-06). 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".

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".

As previously indicated, BNP Paribas SA applied the ANC regulation 2015-06 as from 1 January 2016. This regulation modifies the treatment of goodwill and merger premiums as follows:

- 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, previously recorded in goodwill in its entirety, is allocated to the various contributions of assets resulting from mergers and similar transactions. This allocation is now no longer carried in a non-accounting memorandum account, but in dedicated sub-accounts of the underlying assets up to the limit of the identified unrealised gains. Only the net balance of the merger is now carried in goodwill; the share of the merger premium thus allocated follows the amortisation rules of the asset concerned if it is amortisable.

## DUE TO CREDIT INSTITUTIONS AND DUE TO CUSTOMERS

Amounts due to credit institutions and customers are classified by their initial term or their nature: 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. These sections include securities and other assets sold under repurchase agreements. 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 of uncertain timing or amount. 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 day one profit is released to the profit and loss account.

### 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 compensation;
- 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 compensation 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 this deferred variable compensation is 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 prorata basis over that period. The expense is recognised under salaries and employee benefit 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.

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 2016 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. 2016 | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|
| | Income | Expenses | Income | Expenses |
| **Credit institutions** | **2,885** | **(2,652)** | **3,323** | **(2,574)** |
| Demand accounts, loans and borrowings | 2,349 | (2,031) | 3,131 | (2,215) |
| Securities given/received under repurchase agreements | 427 | (621) | 82 | (359) |
| Subordinated loans | 109 | | 110 | |
| **Customers** | **7,503** | **(2,450)** | **6,843** | **(2,099)** |
| Demand accounts, loans, and term accounts | 6,886 | (2,027) | 6,636 | (2,065) |
| Securities given/received under repurchase agreements | 606 | (423) | 201 | (34) |
| Subordinated loans | 11 | | 6 | |
| **Debt securities** | **149** | **(3,629)** | **196** | **(3,799)** |
| **Bonds and other fixed-income securities** | **3,073** | | **3,502** | |
| Trading account securities | 172 | | 470 | |
| Securities available for sale | 2,870 | | 2,942 | |
| Debt securities held to maturity | 31 | | 90 | |
| **Macro-hedging instruments** | **232** | | | **(377)** |
| **INTEREST INCOME AND EXPENSES** | **13,842** | **(8,731)** | **13,864** | **(8,849)** |

## 2.b INCOME ON EQUITIES AND OTHER VARIABLE INSTRUMENTS

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Securities available for sale | 108 | 59 |
| Investments in subsidiaries and equity securities held for long-term investment | 256 | 160 |
| Investments in affiliates | 9,151 | 5,684 |
| **INCOME ON EQUITIES AND OTHER VARIABLE INSTRUMENTS** | **9,515** | **5,903** |



## 2.c COMMISSIONS

| *In millions of euros* | Year to 31 Dec. 2016 | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|
| | Income | Expenses | Income | Expenses |
| **Commissions on banking and financing transactions** | **1,906** | **(589)** | **2,340** | **(599)** |
| Customer items | 1,334 | (102) | 1,517 | (150) |
| Other | 572 | (487) | 823 | (449) |
| **Commissions on financial services** | **2,954** | **(397)** | **2,830** | **(372)** |
| **COMMISSION INCOME AND EXPENSES** | **4,860** | **(986)** | **5,170** | **(971)** |

## 2.d GAINS OR LOSSES ON TRADING ACCOUNT SECURITIES

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Fixed-income instruments and transactions in trading account securities | 419 | 2,004 |
| Currency instruments | 2,023 | (1,097) |
| Credit instruments | 489 | 237 |
| Other variable income financial instruments and transactions in trading account securities | 224 | 1,297 |
| **NET GAINS ON TRADING ACCOUNT SECURITIES** | **3,155** | **2,441** |

## 2.e GAINS OR LOSSES ON SECURITIES AVAILABLE FOR SALE

| *In millions of euros* | Year to 31 Dec. 2016 | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|
| | Income | Expenses | Income | Expenses |
| Divestments | 826 | (57) | 602 | (214) |
| Provisions | 174 | (62) | 104 | (150) |
| **TOTAL** | **1,000** | **(119)** | **706** | **(364)** |
| **NET GAINS ON SECURITIES AVAILABLE FOR SALE** | **881** | | **342** | |

## 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. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Net additions to or write-backs from provisions** | **(537)** | **(429)** |
| Customer items and credit institutions | (594) | (408) |
| Off-balance sheet commitment | 13 | 3 |
| Securities | 37 | (25) |
| Doubtful loans | 13 | 10 |
| Financial instruments for market activities | (6) | (9) |
| **Irrecoverable loans not covered by provisions** | **(108)** | **(289)** |
| **Recoveries of loans written-off** | **68** | **82** |
| **COST OF RISK** | **(577)** | **(636)** |

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Balance at 1 January** | **7,476** | **7,939** |
| Net additions to or write-backs from provisions | 537 | 429 |
| Write-offs during the period covered by provisions | (539) | (1,116) |
| Effect of movements in exchange rates and other | 306 | 224 |
| **PROVISIONS FOR CREDIT RISKS** | **7,780** | **7,476** |

The provisions break down as follows:

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| **Provisions deducted from assets** | **7,124** | **6,797** |
| For amounts due from credit institutions *(note 3.a)* | 126 | 136 |
| For amounts due from customers *(note 3.b)* | 6,667 | 6,225 |
| For securities | 289 | 401 |
| For financial instruments for market activities | 42 | 35 |
| **Provisions recognised as liabilities *(note 3.k)*** | **656** | **679** |
| For off-balance sheet commitments | 610 | 620 |
| For doubtful loans | 46 | 59 |
| **PROVISIONS FOR CREDIT RISKS** | **7,780** | **7,476** |

## 2.g GAINS OR LOSSES ON DISPOSALS OF LONG-TERM INVESTMENTS

| *In millions of euros* | Year to 31 Dec. 2016 | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|
| | Income | Expenses | Income | Expenses |
| **Investments in subsidiaries and equity securities held for long-term investment** | **669** | **(89)** | **19** | **(183)** |
| Divestments | 517 | (19) | - | (79) |
| Provisions | 152 | (70) | 19 | (104) |
| **Investments in affiliates** | **986** | **(2,830)** | **1,136** | **(429)** |
| Divestments | 24 | (1,569) | 1,051 | (32) |
| Provisions | 962 | (1,261) | 85 | (397) |
| **Operating assets** | **9** | **(3)** | **7** | **(4)** |
| **TOTAL** | **1,664** | **(2,922)** | **1,162** | **(616)** |
| **NET GAINS OR LOSSES ON DISPOSALS OF LONG-TERM INVESTMENTS** | | **(1,258)** | **546** | |

## 2.h CORPORATE INCOME TAX

| *In millions of euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Current tax expense | (225) | 42 |
| Deferred tax expense | (53) | (116) |
| **CORPORATE INCOME TAX** | **(278)** | **(74)** |

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 2016

## 3.a AMOUNTS DUE FROM AND DUE TO CREDIT INSTITUTIONS

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Loans and receivables** | **150,258** | **165,043** |
| Demand accounts | 5,206 | 5,914 |
| Term accounts and loans | 139,369 | 151,442 |
| Subordinated loans | 5,683 | 7,687 |
| **Securities received under repurchase agreements** (1) | **67,594** | **84,654** |
| **LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS BEFORE IMPAIRMENT** | **217,852** | **249,697** |
| *of which accrued interest* | *586* | *679* |
| *of which irrecoverable loans* | *13* | *18* |
| *of which potentially recoverable doubtful loans* | *51* | *102* |
| **Impairment on receivables due from credit institutions** ***(note 2.f)*** | **(126)** | **(136)** |
| **LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS NET OF IMPAIRMENT** | **217,726** | **249,561** |

*(1) Repurchase agreements for which there is a net settlement obligation are now carried on the balance sheet on a net basis.*

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Deposits and borrowings** | **157,314** | **167,776** |
| Demand deposits | 15,558 | 13,767 |
| Term accounts and borrowings | 141,756 | 154,009 |
| **Securities given under repurchase agreements** (1) | **67,223** | **99,561** |
| **DUE TO CREDIT INSTITUTIONS** | **224,537** | **267,337** |
| *of which accrued interest* | *556* | *662* |

*(1) Repurchase agreements for which there is a net settlement obligation are now carried on the balance sheet on a net basis.*

Comparable net balances at 31 December 2015 would have been EUR 64,127 million for "Securities received under repurchase agreements" and EUR 79,034 million for "Securities given under repurchase agreements" respectively.

## 3.b CUSTOMERS ITEMS

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Loans and receivables** | **306,286** | **279,567** |
| Commercial and industrial loans | 2,620 | 2,096 |
| Demand accounts | 11,701 | 12,011 |
| Short-term loans | 70,052 | 63,600 |
| Mortgages | 66,827 | 68,415 |
| Equipment loans | 47,361 | 46,183 |
| Export loans | 8,963 | 7,666 |
| Other customer loans | 97,418 | 78,255 |
| Subordinated loans | 1,344 | 1,341 |
| **Securities received under repurchase agreements** [(1)] | **116,074** | **96,999** |
| **CUSTOMER ITEMS BEFORE IMPAIRMENT – ASSETS** | **422,360** | **376,566** |
| *of which accrued interest* | *1,056* | *769* |
| *of which loans eligible for refinancing by the Banque de France* | *58* | *55* |
| *of which potentially recoverable doubtful loans and receivables* | *4,026* | *3,578* |
| *of which irrecoverable loans and receivables* | *5,832* | *5,657* |
| **Impairment on receivables due from customers** ***(note 2.f)*** | **(6,667)** | **(6,225)** |
| **CUSTOMER ITEMS NET OF IMPAIRMENT – ASSETS** | **415,693** | **370,341** |

The following table gives the loans and receivables net of impairment due from customers by counterparty:

| *In millions of euros, at* | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Doubtful loans net of provisions | | | | Doubtful loans net of provisions | | |
| | Sound loans | Potentially recoverable | Irrecoverable | Total | Sound loans | Potentially recoverable | Irrecoverable | Total |
| Financial institutions | 68,973 | 82 | 2 | 69,057 | 56,166 | 72 | 16 | 56,254 |
| Corporate | 152,916 | 1,630 | 1,706 | 156,252 | 137,026 | 1,420 | 1,829 | 140,275 |
| Entrepreneurs | 7,895 | 55 | 173 | 8,123 | 8,532 | 58 | 171 | 8,761 |
| Individuals | 58,355 | 221 | 663 | 59,239 | 60,795 | 210 | 674 | 61,679 |
| Other non-financial customers | 6,925 | 21 | 2 | 6,948 | 6,372 | 0 | 1 | 6,373 |
| **TOTAL LOANS AND RECEIVABLES, NET OF IMPAIRMENT** | **295,064** | **2,009** | **2,546** | **299,619** | **268,891** | **1,760** | **2,691** | **273,342** |

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Deposits** | **378,525** | **321,168** |
| Demand deposits | 142,334 | 115,151 |
| Term deposits | 167,018 | 136,446 |
| Regulated savings accounts | 69,173 | 69,571 |
| *of which demand regulated savings accounts* | *52,102* | *53,121* |
| **Securities given under repurchase agreements** [(1)] | **120,437** | **95,310** |
| **CUSTOMER ITEMS – LIABILITIES** | **498,962** | **416,478** |
| *of which accrued interest* | *1,030* | *1,019* |

*(1) Repurchase agreements for which there is a net settlement obligation are now carried on the balance sheet on a net basis.*

Comparable net balances at 31 December 2015 would have been EUR 70,996 million for "Securities received under repurchase agreements" and EUR 69,307 million for "Securities given under repurchase agreements" respectively.

## 3.c SECURITIES HELD BY BNP PARIBAS SA

| *In millions of euros, at* | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Net carrying amount | Market value | Net carrying amount | Market value |
| Transaction | 92,342 | 92,342 | 72,114 | 72,114 |
| Securities available for sale | 50,660 | 53,218 | 44,781 | 48,187 |
| *of which provisions* | *(34)* | | *(37)* | |
| Debt securities held to maturity | 350 | 350 | 349 | 353 |
| **TREASURY BILLS AND MONEY-MARKET INSTRUMENTS** | **143,352** | **145,910** | **117,244** | **120,654** |
| *of which receivables corresponding to loaned securities* | *44,246* | | *34,500* | |
| *of which goodwill* | *3,711* | | *2,394* | |
| Transaction | 36,435 | 36,435 | 64,752 | 64,752 |
| Securities available for sale | 56,314 | 57,993 | 48,199 | 49,103 |
| *of which provisions* | *(252)* | | *(455)* | |
| Debt securities held to maturity | 899 | 1,003 | 1,446 | 1,459 |
| *of which provisions* | *(22)* | | *(38)* | |
| **BONDS AND OTHER FIXED-INCOME SECURITIES** | **93,648** | **95,431** | **114,397** | **115,314** |
| *of which unlisted securities* | *11,805* | *12,310* | *4,827* | *4,889* |
| *of which accrued interest* | *876* | | *813* | |
| *of which receivables corresponding to loaned securities* | *11,554* | | *19,179* | |
| *of which goodwill* | *315* | | *328* | |
| Transaction | 743 | 743 | 1,048 | 1,048 |
| Securities available for sale and equity securities available for sale in the medium term | 1,009 | 1,453 | 1,131 | 1,446 |
| *of which provisions* | *(312)* | | *(348)* | |
| **EQUITIES AND OTHER VARIABLE-INCOME SECURITIES** | **1,752** | **2,196** | **2,179** | **2,494** |
| *of which unlisted securities* | *756* | *1,082* | *822* | *1,065* |
| *of which receivables corresponding to loaned securities* | *354* | | *644* | |
| Investment in subsidiaries | 3,688 | 5,357 | 3,987 | 6,121 |
| *of which provisions* | *(190)* | | *(226)* | |
| Equity securities held for long-term investment | 623 | 637 | 520 | 547 |
| *of which provisions* | *(111)* | | *(47)* | |
| **INVESTMENTS IN SUBSIDIARIES AND EQUITY SECURITIES HELD FOR LONG-TERM INVESTMENT** | **4,311** | **5,994** | **4,507** | **6,668** |
| *of which unlisted securities* | *2,160* | *2,740* | *2,084* | *2,938* |
| Investments in affiliates | 64,922 | 92,248 | 59,278 | 94,865 |
| *of which provisions* | *(7,067)* | | *(4,204)* | |
| **INVESTMENTS IN AFFILIATES** | **64,922** | **92,248** | **59,278** | **94,865** |

BNP Paribas SA's equity investments and affiliate interests in credit institutions totalled EUR 1,910 million and EUR 30,591 million, respectively at 31 December 2016, compared with EUR 1,919 million and EUR 36,217 million, respectively, at 31 December 2015.

## 3.d TREASURY SHARES

| *In millions of euros, at* | 31 December 2016 | | 31 December 2015 |
|---|---|---|---|
| | Gross value amount | Net carrying amount | Net carrying amount |
| Transaction | 3 | 3 | 5 |
| Securities available for sale | 6 | 6 | 41 |
| Investment in subsidiaries | 32 | 32 | 35 |
| **TREASURY SHARES** | **41** | **41** | **81** |

The fifth resolution of the Shareholders' Combined General Meeting of 26 May 2016, which replaced the fifth resolution of the Shareholders' Combined General Meeting of 13 May 2015, 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 62 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 26 May 2016; 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 2016, 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 holds 123,991 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, BNP Paribas SA owned 57,500 BNP Paribas shares classified as "Trading" account securities at 31 December 2016. This market-making agreement is consistent with the Code of Ethics recognised by the French Securities Regulator (AMF).

## 3.e LONG-TERM INVESTMENTS

| *In millions of euros* | Gross values | | | | | Provisions | | | | | Carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 Jan. 2016 | Purchases | Disposals and redemptions | Transfers and other movements | 31 Dec. 2016 | 1 Jan. 2016 | Additions | Write-back | Other movements | 31 Dec. 2016 | 31 Dec. 2016 | 31 Dec. 2015 |
| Debt securities held to maturity *(note 3.c)* | 1,833 | 4 | (360) | (206) | 1,271 | 38 | 4 | (19) | (1) | 22 | 1,249 | 1,795 |
| Investments in subsidiaries and equity securities held for long-term investment *(note 3.c)* | 4,780 | 184 | (299) | (53) | 4,612 | 273 | 110 | (82) | | 301 | 4,311 | 4,507 |
| Investments in affiliates *(note 3.c)* | 67,738 | 29,056 | (23,686) | (1,119) | 71,989 | 6,907 | 1,213 | (909) | (144) | 7,067 | 64,922 | 59,278 |
| *of which merger premium on investments in affiliates (1)* | *4,256* | | | | *4,256* | *2,703* | *565* | | | *3,268* | *988* | |
| Treasury shares *(note 3.d)* | 35 | | (3) | | 32 | | | | | | 32 | 35 |
| **LONG-TERM INVESTMENTS** | **74,386** | **29,244** | **(24,348)** | **(1,378)** | **77,904** | **7,218** | **1,327** | **(1,010)** | **(145)** | **7,390** | **70,514** | **65,615** |

*(1) The merger premium associated with investments in affiliates (EUR 4,256 million as at 31 December 2015) and their previously established impairment losses (EUR 2,703 million euros at 31 December 2015) have been reclassified at 1 January 2016 as long-term investments, in accordance with the 2015-06 ANC regulation. This reclassification relates mainly to the allocation of the merger premium of BNL Spa for EUR 4,227 million in gross value and EUR 1,524 million net of previous impairment losses.*

The merger premium for BNL Spa was amortised by -EUR 548 million at 31 December 2016.

Under CRC Regulation 2008-17 dated 10 December 2008, financial instruments initially held for trading or available for sale can be reclassified as debt 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 2016 | | 31 December 2015 | |
|---|---|---|---|---|---|---|
| | | | Carrying value | Market or model value | Carrying value | Market or model value |
| **Financial assets reclassified out of the trading portfolio** | | **7,164** | **607** | **671** | **950** | **1,037** |
| To debt securities held to maturity | 1 October 2008 | 4,404 | 371 | 430 | 461 | 545 |
| To debt securities held to maturity | 30 June 2009 | 2,760 | 236 | 241 | 489 | 492 |

Without these reclassifications, BNP Paribas SA's 2016 net income would have included a gain of EUR 25 million rather than the EUR 31 million actually recorded (2015 figures: EUR 89 million and EUR 44 million, respectively).

## 3.f DEBT SECURITIES

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Negotiable debt securities | 128,396 | 134,656 |
| Bond issues *(note 3.g)* | 3,228 | 4,230 |
| Other debt securities | 1,185 | 1,024 |
| **DEBT SECURITIES** | **132,809** | **139,910** |
| *of which unamortised premiums* | *707* | *873* |

## 3.g BOND ISSUES

Maturities of bonds issued by BNP Paribas SA, according to contractual maturity:

| *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 |

| *In millions of euros* | Outstanding at 31/12/2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 to 2025 | After 2025 |
|---|---|---|---|---|---|---|---|---|
| Bond issues | 4,230 | 1,107 | 508 | 977 | 437 | 561 | 556 | 84 |

## 3.h OTHER ASSETS AND LIABILITIES

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Options purchased | 118,880 | 138,701 |
| Settlement accounts related to securities transactions | 3,374 | 3,923 |
| Deferred tax – assets | 942 | 1,044 |
| Miscellaneous assets | 54,872 | 50,263 |
| **OTHER ASSETS** | **178,068** | **193,931** |
| Options sold | 113,983 | 132,882 |
| Settlement accounts related to securities transactions | 2,784 | 5,780 |
| Liabilities related to securities transactions | 123,330 | 118,488 |
| Deferred tax – liabilities | 26 | 51 |
| Miscellaneous liabilities | 49,191 | 43,723 |
| **OTHER LIABILITIES** | **289,314** | **300,924** |

The "Miscellaneous liabilities" item includes accounts payable for BNP Paribas (in metropolitan France) which amounted to EUR 10.4 million at 31 December 2016 and breaks down as follows:

| *In millions of euros, at* | | | 31 December 2016 |
|---|---|---|---|
| | Not due | Due | Total BNP Paribas in Metropolitan France |
| From 0 to 30 days | From 30 to 60 days | More than 60 days | |
| 2 | 4 | 4 | 10 |

## 3.i ACCRUED INCOME

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Remeasurement of currency instruments and derivatives | 63,180 | 63,500 |
| Accrued income | 8,923 | 17,674 |
| Collection accounts | 192 | 67 |
| Other accrued income | 9,295 | 8,742 |
| **ACCRUED INCOME** | **81,590** | **89,983** |
| Remeasurement of currency instruments and derivatives | 52,252 | 56,194 |
| Accrued expenses | 12,421 | 17,257 |
| Collection accounts | 314 | 684 |
| Other accrued expenses | 10,635 | 7,494 |
| **ACCRUED EXPENSES** | **75,622** | **81,629** |

## 3.j OPERATING ASSETS

| *In millions of euros, at* | 31 December 2016 | | | 31 December 2015 |
|---|---|---|---|---|
| | Gross value | Depreciation, amortisation and impairment | Net amount | Net amount |
| Software | 3,326 | (2,592) | 734 | 700 |
| Other intangible assets [(1)] | 2,143 | (79) | 2,064 | 3,781 |
| **INTANGIBLE ASSETS** | **5,469** | **(2,671)** | **2,798** | **4,481** |
| Land and buildings | 2,894 | (963) | 1,931 | 1,708 |
| Equipment, furniture and fixtures | 1,957 | (1,579) | 378 | 389 |
| Other fixed assets | 73 | - | 73 | 332 |
| Tangible assets-Merger premium [(1)] | 134 | (10) | 124 | |
| **TANGIBLE ASSETS** | **5,058** | **(2,552)** | **2,506** | **2,429** |

(1) *In accordance with the ANC regulation 2015-06, merger premium included in "Other intangible assets" in 2015 were allocated on 1 January 2016 to the various identifiable underlying assets, namely, EUR 134 million as tangible assets and EUR 1,553 million net of impairment as long-term investments (note 3.e).*

## 3.k PROVISIONS

| *In millions of euros, at* | 31 December 2015 | Additions | Reversals | Other movements | 31 December 2016 |
|---|---|---|---|---|---|
| **Provision for employee benefit obligations** | **615** | **167** | **(267)** | **8** | **523** |
| **Provision for doubtful loans *(note 2.f)*** | **59** | **8** | **(21)** | **-** | **46** |
| **Provision for off-balance sheet commitments *(note 2.f)*** | **620** | **61** | **(74)** | **3** | **610** |
| **Other provisions** | | | | | |
| ■ for banking transactions | 855 | 211 | (317) | (4) | 745 |
| ■ for non-banking transactions | 962 | 311 | (143) | (24) | 1,106 |
| **PROVISIONS** | **3,111** | **758** | **(822)** | **(17)** | **3,030** |

### ➤ PROVISIONS FOR RISKS ON REGULATED SAVINGS PRODUCTS

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Deposits collected under home savings accounts and plans** | **17,745** | **17,227** |
| of which for home savings plans | 15,518 | 14,865 |
| *Aged more than 10 years* | *3,203* | *3,393* |
| *Aged between 4 and 10 years* | *5,592* | *4,457* |
| *Aged less than 4 years* | *6,723* | *7,015* |
| **Outstanding loans granted under home savings accounts and plans** | **112** | **163** |
| of which for home savings plans | 19 | 29 |
| **Provisions for home savings accounts and plans** | **174** | **172** |
| of which discount on home savings accounts and plans | 2 | 3 |
| of which provisions for home savings accounts and plans | 172 | 169 |
| *of which provisions for plans aged more than 10 years* | *78* | *73* |
| *of which provisions for plans aged between 4 and 10 years* | *36* | *31* |
| *of which provisions for plans aged less than 4 years* | *57* | *62* |
| *of which provisions for home savings accounts* | *1* | *3* |

### CHANGE IN PROVISIONS FOR REGULATED SAVINGS PRODUCTS

| *In millions of euros* | Year to 31 Dec. 2016 | | Year to 31 Dec. 2015 | |
|---|---|---|---|---|
| | 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** | **166** | **6** | **125** | **18** |
| Additions to provisions during the period | 5 | - | 41 | - |
| Provision reversals during the period | - | (3) | - | (12) |
| **Provisions at end of period** | **171** | **3** | **166** | **6** |

## 3.l SUBORDINATED DEBT

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Redeemable subordinated debt** | **13,397** | **9,881** |
| **Undated subordinated debt** | **9,752** | **8,916** |
| Undated Super Subordinated Notes | 9,013 | 8,185 |
| Undated Floating-Rate Subordinated Notes | 514 | 506 |
| Undated Participating Subordinated Notes | 225 | 225 |
| **Related debt** | **344** | **1** |
| **SUBORDINATED DEBT** | **23,493** | **18,798** |

### 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 2015, five 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 584 million. In addition, eight subordinated notes were issued totalling EUR 3,867 million.

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, twelve subordinated notes were issued in 2016 totalling EUR 3,808 million.

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 |

The following table gives the maturity schedule for redeemable subordinated debt as of 31 December 2015:

| *In millions of euros* | Outstanding at 31/12/2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 to 2025 | After 2025 |
|---|---|---|---|---|---|---|---|---|
| Redeemable subordinated debt | 9,881 | 286 | 1,963 | 85 | - | 5 | 4,492 | 3,050 |

## Undated subordinated debt

### Undated Super Subordinated Notes

BNP Paribas SA issued Undated Super Subordinated Notes representing a total amount of EUR 9,013 million at 31 December 2016. 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. Some of these notes will pay a coupon indexed to Euribor, Libor or a swap rate if not redeemed at the end of this period.

On 17 June 2015, BNP Paribas SA issued Undated Super Subordinated Notes in the amount of EUR 750 million. This issue pays a fixed-rate coupon of 6.125%. They are redeemable after seven years. The issue will pay a coupon indexed to the Euro five-year swap rate every six months if the notes are not redeemed in 2022.

On 29 June 2015, BNP Paribas redeemed the June 2005 issue for a total of USD 1,070 million on its first call date. This issue paid a fixed-rate coupon of 5.186%.

On 19 August 2015, BNP Paribas SA issued Undated Super Subordinated Notes in the amount of USD 1,500 million. This issue pays a fixed-rate coupon of 7.375%. The notes are redeemable after ten years. The issue will pay a coupon indexed to the USD five-year swap rate every six months if the notes are not redeemed in 2025.

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 call 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. The issue will pay a coupon indexed to the USD five-year swap rate every semester if the notes are not redeemed in 2022.

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. 2016 | 31 Dec. 2015 |
|---|---|---|---|---|---|---|---|---|
| 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% | 380 | 368 |
| April 2006 | EUR | 549 | Yearly | 4,73% | 10 years | 3-month Euribor +1.690% | 0 | 549 |
| April 2006 | GBP | 450 | Yearly | 5.945% | 10 years | GBP 3-month Libor +1.130% | 0 | 610 |
| July 2006 | EUR | 150 | Yearly | 5.45% | 20 years | 3-month Euribor +1.920% | 150 | 150 |
| July 2006 | GBP | 163 | Yearly | 5.954% | 10 years | GBP 3-month Libor +1.810% | 0 | 221 |
| April 2007 | EUR | 638 | Yearly | 5.019% | 10 years | 3-month Euribor +1.720% | 638 | 638 |
| June 2007 | USD | 600 | Quarterly | 6.5% | 5 years | 6.5% | 570 | 552 |
| June 2007 | USD | 1,100 | Half-yearly | 7.195% | 30 years | USD three-month Libor +1.290% | 1,044 | 1,012 |
| October 2007 | GBP | 200 | Yearly | 7.436% | 10 years | GBP 3-month Libor +1.850% | 234 | 271 |
| 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 | Euribor three-month +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 three-month Libor +3.750% | 10 years | USD three-month Libor +4.750% | 67 | 65 |
| December 2009 | USD | 0.5 | Yearly | 7.384% | 10 years | USD three-month Libor +4.750% | 1 | 1 |
| June 2015 | EUR | 750 | Half-yearly | 6.125% | 7 years | EUR 5-year swap rate +5.230% | 750 | 750 |
| August 2015 | USD | 1,500 | Half-yearly | 7.375% | 10 years | USD five-year swap rate +5.150% | 1,424 | 1,379 |
| March 2016 | USD | 1,500 | Half-yearly | 7.625% | 5 years | USD five-year swap rate +6.314% | 1,424 | 0 |
| December 2016 | USD | 750 | Half-yearly | 6.750% | 5.25 years | USD five-year swap rate +4.916% | 712 | 0 |
| **UNDATED SUPER SUBORDINATED NOTES** | | | | | | | **9,013** | **8,185** |

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 increased 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 2016 | 31 December 2015 |
|---|---|---|---|---|---|
| October 1985 | EUR | 305 | TMO -0.25% | 254 | 254 |
| September 1986 | USD | 500 | 6-month Libor +0.075% | 260 | 252 |
| **UNDATED FLOATING-RATE SUBORDINATED NOTES** | | | | **514** | **506** |

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 Ordinary 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 2016.



## Note 4 FINANCING AND GUARANTEE COMMITMENTS

### 4.a FINANCING COMMITMENTS

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| **Credit institutions** | 43,240 | 63,770 |
| **Customers** | 198,478 | 175,748 |
| Confirmed letters of credit | 94,118 | 87,446 |
| Other commitments given to customers | 104,360 | 88,302 |
| **FINANCING COMMITMENTS GIVEN** | **241,718** | **239,518** |
| **Credit institutions** | 101,210 | 100,649 |
| **Customers** | 29,441 | 23,243 |
| **FINANCING COMMITMENTS RECEIVED** | **130,651** | **123,892** |

## 4.b GUARANTEE COMMITMENTS

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Credit institutions | 20,192 | 23,477 |
| Customers | 89,345 | 90,792 |
| **GUARANTEE COMMITMENTS GIVEN** | **109,537** | **114,269** |
| Credit institutions | 67,015 | 72,444 |
| Customers | 159,631 | 143,362 |
| **GUARANTEE COMMITMENTS RECEIVED** | **226,646** | **215,806** |

## 4.c FINANCIAL INSTRUMENTS GIVEN AND RECEIVED AS GUARANTEES

### ➤ FINANCIAL INSTRUMENTS GIVEN AS COLLATERAL

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| 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 | 67,099 | 80,121 |
| ■ Used as collateral with central banks | 9,465 | 19,969 |
| ■ Available for refinancing transactions | 57,634 | 60,152 |
| Financial assets pledged as collateral for transactions with credit institutions, financial customers or subscribers of covered bonds issued by the Group | 57,181 | 56,148 |

At 31 December 2016, the Bank had EUR 67,099 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 80,121 million at 31 December 2015). This amount includes EUR 46,393 million deposited with the Banque de France (vs. EUR 61,042 million at 31 December 2015) under the Banque de France 's comprehensive collateral management system to cover Eurosystem monetary policy transactions and intraday loans.

At 31 December 2016 the Bank had used as collateral EUR 9,465 million of the amount deposited with central banks (vs. EUR 19,969 million at 31 December 2015), including EUR 8,998 million of the amount deposited with the Banque de France (vs. EUR 17,734 million at 31 December 2015).

The other assets that the Bank has pledged as collateral with credit institutions and financial customers totalled EUR 32,750 million at 31 December 2016 (vs. EUR 32,536 million at 31 December 2015), and concerned financing for BNP Paribas Home Loan SFH.

### ➤ FINANCIAL INSTRUMENTS RECEIVED AS COLLATERAL

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Financial instruments received as collateral (excluding repurchase agreements) | 24,134 | 16,609 |

# Note 5 SALARIES AND EMPLOYEE BENEFITS

## 5.a SALARIES AND EMPLOYEE BENEFIT EXPENSES

| *In millions euros* | Year to 31 Dec. 2016 | Year to 31 Dec. 2015 |
|---|---|---|
| Salaries | (4,313) | (4,146) |
| Tax and social security charges (1) | (1,855) | (1,496) |
| Employee profit-sharing and incentive plans | (273) | (208) |
| **TOTAL SALARIES AND EMPLOYEE BENEFIT EXPENSES** | **(6,441)** | **(5,850)** |

*(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 36 million in 2016 compared to EUR 36 million in 2015.

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 employees:

| *Headcount at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Employees in Metropolitan France | 37,849 | 37,458 |
| *of which managers* | *24,406* | *23,316* |
| Employees outside Metropolitan France | 13,649 | 12,293 |
| **TOTAL BNP PARIBAS SA** | **51,498** | **49,751** |

## 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 nationwide 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 2016 was EUR 279 million, compared with EUR 269 million for the year 2015.

### 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 266 million at 31 December 2016 (against EUR 349 million at 31 December 2015), comprised of EUR 155 million for French plans and EUR 111 million for other plans.

BNP Paribas recognised EUR 105 million of retirement plan assets (recognised surplus and reimbursement rights) at 31 December 2016 as compared to EUR 92 million at 31 December 2015.

### 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 funded through 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 2016, 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: 27% equities, 40% bonds, and 33% 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 obligations 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 16 million at 31 December 2016, compared to EUR 15 million at 31 December 2015.

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 2015 to September 2018) was implemented for CIB activities in France.

Provisions for these plans totalled EUR 124 million at 31 December 2016 (EUR 17 million at 31 December 2015).

| *In millions of euros, at* | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Provision for voluntary departure, early retirement plans, and headcount adaptation plans | 124 | 17 |

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# Note 6 ADDITIONAL INFORMATION

## 6.a CHANGES IN SHARE CAPITAL

### Resolutions of Shareholders' General Meetings valid for 2016

The following authorisations to increase or reduce the share capital have been granted to the Board of Directors under resolutions voted in Shareholders' General Meetings and were valid during 2016:

| Resolutions adopted at Shareholders' General Meetings | | Use of authorisation in 2016 |
|---|---|---|
| Shareholders' Combined General Meeting of 14 May 2014 (16th resolution) | Authorisation to issue ordinary shares and share equivalents granting entitlement to capital or the allocation of debt instruments, with pre-emptive rights for existing shareholders maintained.<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 billion (i.e. 500 million shares).<br>The nominal amount of debt securities that may be issued by virtue of this authorisation may not exceed EUR 10 billion.<br>This authorisation was given for a period of 26 months and replaces that granted by the 13th resolution of the Shareholders' Combined General Meeting of 23 May 2012. | This authorisation was not used during the period |
| Shareholders' Combined General Meeting of 14 May 2014 (17th resolution) | Authorisation to issue ordinary shares and share equivalents granting entitlement to capital or the allocation of debt instruments, without pre-emptive rights for existing shareholders and with the authority to grant a priority period.<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>The nominal amount of debt securities that may be issued by virtue of this authorisation may not exceed EUR 4.8 billion.<br>This authorisation was given for a period of 26 months and replaces that granted by the 14th resolution of the Shareholders' Combined General Meeting of 23 May 2012. | This authorisation was not used during the period |
| Shareholders' Combined General Meeting of 14 May 2014 (18th resolution) | Authorisation to issue ordinary shares and share equivalents, with pre-emptive rights for existing shareholders waived, in consideration for securities tendered to public exchange offers.<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 EUR 240 million (i.e. 120 million shares).<br>This delegation was given for a period of 26 months and replaces that granted by the 15th resolution of the Shareholders' Combined General Meeting of 23 May 2012. | This authorisation was not used during the period |
| Shareholders' Combined General Meeting of 14 May 2014 (19th resolution) | Authorisation to issue shares and share equivalents, with pre-emptive rights for existing shareholders waived, in consideration for securities tendered within a limit of 10% of 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 16th resolution of the Shareholders' Combined General Meeting of 23 May 2012. | This authorisation was not used during the period |
| Shareholders' Combined General Meeting of 14 May 2014 (20th resolution) | Blanket limit on authorisations to issue shares without pre-emptive rights for existing shareholders.<br>The maximum par value of all issues made without pre-emptive rights for existing shareholders carried out immediately and/or in the future by virtue of the authorisations granted under the 17th to 19th resolutions of the present Shareholders' General Meeting may not exceed EUR 240 million for shares and EUR 4.8 billion for debt instruments. | Not applicable |

| Resolutions adopted at Shareholders' General Meetings | | Use of authorisation in 2016 |
|---|---|---|
| Shareholders' Combined General Meeting of 14 May 2014 (21st resolution) | Issue of shares to be paid up by capitalising income, retained earnings or additional paid-in capital.<br>Authorisation was given to increase the issued capital within the limit of a maximum par value of EUR 1 billion on one or more occasions, by capitalising all or part of the retained earnings, profits or additional paid-in capital, successively or simultaneously, through the issuance and award of free ordinary shares, through an increase in the par value of existing shares, or through a combination of these two methods.<br>This authorisation was given for a period of 26 months and replaces that granted by the 18th resolution of the Shareholders' Combined General Meeting of 23 May 2012. | This authorisation was not used during the period |
| Shareholders' Combined General Meeting of 14 May 2014 (22nd resolution) | Blanket limit on authorisations to issue shares with or without pre-emptive rights for existing shareholders.<br>The maximum par value of all issues made without pre-emptive rights for existing shareholders carried out immediately and/or in the future by virtue of the authorisations granted under the 16th to 19th resolutions of the present Shareholders' General Meeting may not exceed EUR 1 billion for shares and EUR 10 billion for debt instruments. | Not applicable |
| Shareholders' Combined General Meeting of 14 May 2014 (23rd resolution) | Authorisation granted to the Board of Directors to carry out transactions reserved for members of the BNP Paribas Group's Corporate 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 par value of EUR 46 million on one or more occasions by issuing ordinary shares, with pre-emptive rights for existing shareholders waived, reserved for members of the BNP Paribas Group's Corporate Savings Plan, or by selling shares.<br>This authorisation was given for a period of 26 months and replaces that granted by the 20th resolution of the Shareholders' Combined General Meeting of 23 May 2012. | This authorisation was not used during the period |
| Shareholders' Combined General Meeting of 13 May 2015 (5th resolution) | Authorisation given to the Board of Directors to set up a share buyback programme for the Company until it holds at most 10% of the shares forming the share capital.<br>Said acquisitions of shares at a price not exceeding EUR 62 per share (previously EUR 70) would be intended to fulfil several objectives including:<br>■ honouring obligations arising from the issue of share equivalents, 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 corporate savings plans;<br>■ cancelling shares following authorisation by the Shareholders' Combined General Meeting of 13 May 2015 (19th 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 retention or remittance 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>■ for asset and financial management purposes.<br>This authorisation was given for a period of 18 months and replaces that granted by the 5th resolution of the Shareholders' Combined General Meeting of 14 May 2014. | Under the market-making agreement, 847,893 shares with a par value of EUR 2 were acquired and 865,893 shares with a par value of EUR 2 were sold between 1 January and 26 May 2016. |

| Resolutions adopted at Shareholders' General Meetings | | Use of authorisation in 2016 |
|---|---|---|
| Shareholders' Combined General Meeting of 13 May 2015 (19th resolution) | Authorisation granted to the Board of Directors to reduce the 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 given for a period of 18 months and replaces that granted by the 24th 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 (5th resolution) | Authorisation given to the Board of Directors to set up a share buyback programme for the Company until it holds at most 10% of the shares forming 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 share equivalents, 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 corporate savings plans;<br>■ cancelling shares following authorisation by the Shareholders' Combined General Meeting of 23 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 retention or remittance 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>■ for asset and financial management purposes.<br>This authorisation was given 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, 517,504 shares with a par value of EUR 2 were acquired and 542,004 shares with a par value of EUR 2 were sold between 27 May and 31 December 2016. |
| Shareholders' Combined General Meeting of 26 May 2016 (16th resolution) | Capital increase, without pre-emptive subscription rights, through the issue of ordinary shares and share equivalents 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 given 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 pre-emptive subscription rights, through the issue of ordinary shares and share equivalents 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 given 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 |

| Resolutions adopted at Shareholders' General Meetings | | Use of authorisation in 2016 |
|---|---|---|
| Shareholders' Combined General Meeting of 26 May 2016 (18th resolution) | Capital increase, without pre-emptive subscription rights, through the issue of ordinary shares and share equivalents 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 |
| Shareholders' Combined General Meeting of 26 May 2016 (19th resolution) | Blanket limit on authorisations to issue shares without pre-emptive rights for existing shareholders.<br>The maximum par value of all issues made without pre-emptive rights for existing shareholders carried out immediately and/or in the future by virtue of the authorisations granted under the 17th to 18th resolutions of the present Shareholders' General Meeting may not exceed EUR 240 million for shares. | Not applicable |
| Shareholders' Combined General Meeting of 26 May 2016 (20th resolution) | Issue of shares to be paid up by capitalising income, retained earnings or additional paid-in capital.<br>Authorisation was given to increase the issued capital within the limit of a maximum par value of EUR 1.2 billion on one or more occasions, by capitalising all or part of the retained earnings, profits or additional paid-in capital, successively or simultaneously, through the issuance and award of free ordinary shares, through an increase in the par value of existing shares, or through a combination of these two methods.<br>This authorisation was given for a period of 26 months and replaces that granted by the 21st 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 (21st resolution) | Blanket limit on authorisations to issue shares with or without pre-emptive rights for existing shareholders.<br>The maximum par value of all issues made without pre-emptive rights for existing shareholders carried out immediately and/or in the future by virtue of the authorisations granted under the 16th to 18th resolutions of the present Shareholders' General Meeting may not exceed EUR 1.2 billion for shares. | 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 Corporate 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 par value of EUR 46 million on one or more occasions by issuing ordinary shares, with pre-emptive rights for existing shareholders waived, reserved for members of the BNP Paribas Group's Corporate Savings Plan, or by selling shares.<br>This authorisation was granted for a period of 26 months and replaces that granted by the 23rd resolution of the Shareholders' Combined General Meeting of 14 May 2014. | This authorisation was not used during the period |
| the Shareholders' Combined General Meeting of 26 May 2016 (23rd resolution) | Authorisation granted to the Board of Directors to reduce the 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 19th resolution of the Shareholders' Combined General Meeting of 13 May 2015. | Cancellation of 65,000 shares with a par value of 2 euros on 16 December 2016 |

## Share Capital Transactions

| Operations affecting share capital | Number of 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 2014** | **1,245,957,675** | **2** | **2,491,915,350** | | | |
| Increase in share capital by exercise of stock subscription options | 201,123 | 2 | 402,246 | (1) | (1) | 1 January 2014 |
| Increase in share capital by exercise of stock subscription options | 226,355 | 2 | 452,710 | (1) | (1) | 1 January 2015 |
| **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) | 1 January 2015 |
| Increase in share capital by exercise of stock subscription options | 606,661 | 2 | 1,213,322 | (1) | (1) | 1 January 2016 |
| Capital reductions (by cancellation of shares) | (65,000) | 2 | (130,000) | 26 May 2016 | 16 December 2016 | |
| **NUMBER OF SHARES ISSUED AT 31 DECEMBER 2016** | **1,247,002,653** | **2** | **2,494,005,306** | | | |

*(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 2014 AND 31 DECEMBER 2016

| *In millions euros* | Share capital | Additional paid-in capital | Retained earnings and net income for the period | Total shareholders' equity |
|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY AT 31 DECEMBER 2014** | **2,492** | **23,048** | **31,661** | **57,201** |
| Dividend payout for 2014 | | | (1,866) | (1,866) |
| Capital increases | 1 | 18 | - | 19 |
| Provisions for debt securities held to maturity – Reversals | | | (17) | (17) |
| Other changes | | | (1) | (1) |
| Net income for 2015 | | | 6,232 | 6,232 |
| **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 debt securities held to maturity – Reversals | | | (46) | (46) |
| Other changes | | | (1) | (1) |
| Net income for 2016 | | | 9,266 | 9,266 |
| **SHAREHOLDERS' EQUITY AT 31 DECEMBER 2016** | **2,494** | **23,090** | **42,350** | **67,934** |

## 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 2016 | 31 December 2015 |
|---|---|---|
| Currency derivatives | 5,247,171 | 4,625,824 |
| Interest rate derivatives | 17,396,291 | 21,469,796 |
| Equity derivatives | 1,338,676 | 1,301,207 |
| Credit derivatives | 981,001 | 1,128,212 |
| Other derivatives | 145,689 | 80,822 |
| **FORWARD FINANCIAL INSTRUMENTS IN THE TRADING PORTFOLIO** | **25,108,828** | **28,605,861** |

Long currency swaps previously recorded in interest rate derivatives are now recorded as foreign exchange derivatives.

Financial instruments traded on organised and similar markets accounted for 44% of the Bank's derivatives transactions at 31 December 2016 (vs. 43% at 31 December 2015).

### Hedging strategy

The total notional amount of derivatives used for hedging purposes stood at EUR 752,271 million at 31 December 2015, compared with EUR 785,969 millions at 31 December 2015.

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 15,973 million at 31 December 2016, compared with a positive net position of EUR 9,520 million at 31 December 2015. The market value of the Bank's net short position on conditional transactions was valued at EUR 786 million at 31 December 2016, compared with a net long position of EUR 6,820 million at 31 December 2015.

## 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:

| *In millions of euros, at* | Interbank transactions | | Customer and leasing transactions | | Total by region | |
|---|---|---|---|---|---|---|
| | 31 December 2016 | 31 December 2015 | 31 December 2016 | 31 December 2015 | 31 December 2016 | 31 December 2015 |
| France | 314,691 | 285,652 | 295,188 | 256,425 | 609,879 | 542,077 |
| Other countries in the European Economic Area | 83,723 | 77,821 | 60,064 | 58,963 | 143,787 | 136,784 |
| Americas and Asia | 70,625 | 85,578 | 56,947 | 52,216 | 127,572 | 137,794 |
| Other countries | 1,850 | 1,548 | 3,519 | 2,737 | 5,369 | 4,285 |
| **TOTAL USES OF FUNDS** | **470,889** | **450,599** | **415,718** | **370,341** | **886,607** | **820,940** |
| France | 169,007 | 199,365 | 314,003 | 250,786 | 483,010 | 450,151 |
| Other countries in the European Economic Area | 32,290 | 28,322 | 93,743 | 105,713 | 126,033 | 134,035 |
| Americas and Asia | 22,881 | 40,398 | 86,243 | 55,057 | 109,124 | 95,455 |
| Other countries | 901 | 1,704 | 4,973 | 4,922 | 5,874 | 6,626 |
| **TOTAL SOURCES OF FUNDS** | **225,079** | **269,789** | **498,962** | **416,478** | **724,041** | **686,267** |

89% of BNP Paribas SA's revenues in 2016 came from counterparties in the European Economic Area (88% in 2015).

## 6.e SCHEDULE OF SOURCES AND USES OF FUNDS

| *In millions of euros* | Demand and overnight transactions | Term remaining | | | | | |
|---|---|---|---|---|---|---|---|
| | | 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 | 109,071 | 740 | | | | | **109,811** |
| Treasury bills and money-market instruments | 212 | 48,221 | 9,738 | 36,694 | 48,487 | (34) | **143,352** |
| Due from credit institutions | 8,952 | 88,354 | 36,092 | 48,630 | 35,698 | (126) | **217,726** |
| Customer and leasing transactions | 16,673 | 183,788 | 36,834 | 104,655 | 73,768 | (6,667) | **415,718** |
| Bonds and other fixed-income securities | 1,093 | 13,790 | 14,771 | 28,780 | 35,214 | (273) | **93,648** |
| **Sources of funds** | | | | | | | |
| Amounts due to credit institutions and central banks | 35,517 | 92,844 | 17,404 | 65,606 | 13,708 | | **225,079** |
| Customer items | 210,697 | 220,387 | 38,119 | 24,024 | 5,735 | | **498,962** |
| Debt securities | 702 | 47,419 | 28,194 | 31,797 | 24,697 | | **132,809** |

### 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 set up a site 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 sites 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 [2] | 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.*
*(2) Consolidated subsidiary following BNP Paribas Personal Finance's acquisition of RCS Group in South Africa in 2014.*

# 6.2 Appropriation of income for the year ended 31 December 2016 and dividend distribution

At the Annual General Meeting of 23 May 2017, the Board of Directors will propose an allocation of income for the year ended 31 December 2016 and dividend distribution under the following terms:

| *In millions of euros* | |
|---|---|
| Net income | 9,266 |
| Unappropriated retained earnings | 23,980 |
| **TOTAL INCOME TO BE APPROPRIATED** | **33,246** |
| Dividend | 3,367 |
| Retained earnings | 29,879 |
| **TOTAL APPROPRIATED INCOME** | **33,246** |

The total proposed dividend to be paid to BNP Paribas SA shareholders is EUR 3,367 million, which corresponds to EUR 2.70 per share (with a par value of EUR 2.00) based on the number of shares in issue at 31 December 2016.

# 6.3 BNP Paribas SA five-year financial summary

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Share capital at year-end** | | | | | |
| ■ a) Share capital (in euros) | 2,484,523,922 | 2,490,325,618 | 2,491,915,350 | 2,492,770,306 | 2,494,005,306 |
| ■ b) Number of shares in issue | 1,242,261,961 | 1,245,162,809 | 1,245,957,675 | 1,246,385,153 | 1,247,002,653 |
| ■ 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 | 30,015 | 26,704 | 24,598 | 28,160 | 32,458 |
| ■ b) Earnings before taxes, depreciation, amortisation and impairment | 6,349 | 6,183 | 1,766 | 7,323 | 10,153 |
| ■ c) Income tax expense | (1,273) | (466) | (218) | (74) | (278) |
| ■ d) Earnings after taxes, depreciation, amortisation and impairment | 5,812 | 4,996 | (3,089) | 6,232 | 9,266 |
| ■ e) Total dividend payout [(1)] | 1,863 | 1,868 | 1,869 | 2,879 | 3,367 |
| **Earnings per share in euros** | | | | | |
| ■ a) Earnings after taxes, but before depreciation, amortisation and impairment | 4.09 | 4.59 | 1.24 | 5.82 | 7.92 |
| ■ b) Earnings after taxes, depreciation, amortisation and impairment | 4.68 | 4.01 | (2.48) | 5.00 | 7.43 |
| ■ c) Dividend per share [(1)] | 1.50 | 1.50 | 1.50 | 2.31 | 2.70 |
| **Employee data** | | | | | |
| ■ a) Number of employees at year-end | 48,896 | 47,562 | 49,132 | 49,751 | 51,498 |
| ■ b) Total payroll expense *(in millions of euros)* | 3,915 | 3,772 | 3,713 | 4,288 | 4,263 |
| ■ c) Total social security and employee benefit charges *(in millions of euros)* | 1,488 | 1,359 | 1,328 | 1,404 | 1,599 |

*(1) For 2016, subject to approval at the Annual General Meeting of 23 May 2017.*

# 6.4 Subsidiaries and associated companies of BNP Paribas SA

| Name | Currency | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Share capital | Ref. |
|---|---|---|---|---|---|---|---|---|---|
| | | In millions of foreign currency | | | In millions of euros(*) | | | in % | |
| 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 | EUR | 170 | (8) | 15 | 170 | (8) | 15 | 100.00% | (1) |
| Austin Finance | EUR | 868 | 152 | 43 | 868 | 152 | 43 | 92.00% | (1) |
| B*Capital | EUR | 4 | 10 | 3 | 4 | 10 | 3 | 99.96% | (1) |
| Banca Nazionale del Lavoro SPA | EUR | 2,077 | 3,356 | 94 | 2,077 | 3,356 | 94 | 100.00% | (1) |
| Banco BNP Paribas Brasil SA | BRL | 1,238 | 868 | 133 | 362 | 254 | 39 | 100.00% | (2) |
| BGZ SA | PLN | 84 | 5,773 | 102 | 19 | 1,308 | 23 | 59.98% | (2) |
| BNL International Investment SA | EUR | 110 | 317 | (1) | 110 | 317 | (1) | 100.00% | (2) |
| BNP Paribas (China) Ltd. | USD | 653 | 490 | 61 | 620 | 465 | 58 | 100.00% | (2) |
| BNP Paribas BDDI Participations | EUR | 46 | 18 | 41 | 46 | 18 | 41 | 100.00% | (1) |
| BNP Paribas Canada | CAD | 159 | 418 | 1 | 112 | 295 | 1 | 100.00% | (2) |
| BNP Paribas Cardif | EUR | 150 | 2,156 | 961 | 150 | 2,156 | 961 | 100.00% | (1) |
| BNP Paribas Colombia Corporation Financiera SA | COP | 103,721 | 18,442 | 25,853 | 33 | 6 | 8 | 94.00% | (2) |
| BNP Paribas Commodity Futures Ltd. | USD | 75 | 273 | 33 | 69 | 252 | 30 | 100.00% | (2) |
| BNP Paribas Developpement | EUR | 119 | 461 | 69 | 119 | 461 | 69 | 100.00% | (1) |
| BNP Paribas El Djazair | DZD | 10,000 | 12,985 | 3,003 | 86 | 112 | 26 | 84.17% | (2) |
| BNP Paribas Espana SA | EUR | 52 | 24 | 0 | 52 | 24 | 0 | 99.67% | (2) |
| BNP Paribas Factor | EUR | 6 | 6 | 30 | 6 | 6 | 30 | 100.00% | (2) |
| BNP Paribas Factor Portugal | EUR | 13 | 67 | 4 | 13 | 67 | 4 | 64.26% | (2) |
| BNP Paribas Fortis | EUR | 10,965 | 4,386 | 2,003 | 10,965 | 4,386 | 2,003 | 99.93% | (1) |
| BNP Paribas Home Loan SFH | EUR | 285 | 1 | 0 | 285 | 1 | 0 | 100.00% | (1) |
| BNP Paribas India Holding Private Ltd. | INR | 2,608 | 217 | 52 | 36 | 3 | 1 | 100.00% | (2) |
| BNP Paribas Investment Partners | EUR | 23 | 2,729 | 62 | 23 | 2,729 | 62 | 66.55% | (1) |
| BNP Paribas Ireland | EUR | 902 | 641 | 70 | 902 | 641 | 70 | 100.00% | (2) |
| BNP Paribas Lease Group Leasing Solutions SPA | EUR | 204 | (9) | (12) | 204 | (9) | (12) | 73.83% | (2) |
| BNP Paribas Malaysia Berhad | MYR | 650 | 16 | 12 | 138 | 3 | 2 | 100.00% | (2) |
| BNP Paribas Personal Finance | EUR | 530 | 5,540 | 162 | 530 | 5,540 | 162 | 100.00% | (1) |
| BNP Paribas Prime Brokerage International Ltd. | USD | 0 | 619 | 10 | 0 | 587 | 10 | 100.00% | (2) |
| BNP Paribas Public Sector SCF | EUR | 24 | 1 | 3 | 24 | 1 | 3 | 100.00% | (1) |

(*) *Converted at the rate applicable on 31/12/2016.*
(1) *Non-audited social contributions data as at 31/12/2016.*
(2) *Data used in Group consolidated financial statements as at 31/12/2016.*
(3) *Social contributions data as at 31/12/2015.*

| Name | Currency | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Share capital | Ref. |
|---|---|---|---|---|---|---|---|---|---|
| | | In millions of foreign currency | | | In millions of euros(*) | | | in % | |
| BNP Paribas Real Estate | EUR | 383 | 206 | 88 | 383 | 206 | 88 | 100.00% | (2) |
| BNP Paribas Réunion | EUR | 25 | 25 | 5 | 25 | 25 | 5 | 100.00% | (2) |
| BNP Paribas SB Re | EUR | 250 | 60 | (1) | 250 | 60 | (1) | 100.00% | (2) |
| BNP Paribas Securities (Asia) Ltd. | HKD | 2,429 | (1,177) | (221) | 297 | (144) | (27) | 100.00% | (2) |
| BNP Paribas Securities Japan Ltd. | JPY | 201,050 | 3,357 | 18,358 | 1,635 | 27 | 149 | 100.00% | (2) |
| BNP Paribas Securities Korea Company Ltd. | KRW | 250,000 | 5,580 | 4,620 | 196 | 4 | 4 | 100.00% | (2) |
| BNP Paribas Securities Services – BP2S | EUR | 178 | 472 | 138 | 178 | 472 | 138 | 94.83% | (1) |
| BNP Paribas Suisse SA | CHF | 320 | 1,890 | 131 | 299 | 1,763 | 122 | 99.99% | (2) |
| BNP Paribas UK Holdings Ltd. | GBP | 1,227 | 192 | 8 | 1,435 | 224 | 9 | 100.00% | (2) |
| BNPP VPG Master LLC | USD | 29 | 13 | 4 | 27 | 12 | 3 | 100.00% | (2) |
| BNP Paribas Yatirimlar Holding Anonim Sirketi | TRY | 1,032 | 1 | 0 | 278 | 0 | 0 | 100.00% | (2) |
| BNP Paribas ZAO | RUB | 5,798 | 1,580 | 658 | 90 | 25 | 10 | 100.00% | (2) |
| BNP PUK Holding Ltd. | GBP | 257 | 28 | 11 | 301 | 33 | 13 | 100.00% | (2) |
| Cobema | EUR | 439 | 2,003 | 4 | 439 | 2,003 | 4 | 99.20% | (2) |
| Compagnie Financière Ottomane SA | EUR | 9 | 468 | 5 | 9 | 468 | 5 | 96.97% | (2) |
| Financière des Italiens | EUR | 412 | (191) | 0 | 412 | (191) | 0 | 100.00% | (1) |
| Financière du Marché Saint Honoré | EUR | 107 | 10 | (10) | 107 | 10 | (10) | 100.00% | (1) |
| Harewood Helena 1 Ltd. | USD | 69 | 25 | 15 | 65 | 23 | 15 | 100.00% | (3) |
| Harewood Holdings Ltd. | GBP | 137 | 51 | 26 | 160 | 60 | 30 | 100.00% | (2) |
| Hellobank BNPP Austria AG | EUR | 15 | 41 | (2) | 15 | 41 | (2) | 100.00% | (2) |
| Human Value Developers Private Ltd | INR | 2,346 | (19) | 0 | 33 | 0 | 0 | 100.00% | (2) |
| International Factors Italia SPA – Ifitalia | EUR | 56 | 569 | 45 | 56 | 569 | 45 | 99.65% | (2) |
| Natiocrédibail | EUR | 32 | 35 | 12 | 32 | 35 | 12 | 100.00% | (2) |
| Opéra Trading Capital | EUR | 600 | 4 | (2) | 600 | 4 | (2) | 100.00% | (1) |
| Optichamps | EUR | 411 | (168) | 0 | 411 | (168) | 0 | 100.00% | (1) |
| Paribas North America Inc. | USD | 15,060 | 1,389 | 276 | 14,297 | 1,319 | 262 | 100.00% | (2) |
| Parilease | EUR | 54 | 259 | 7 | 54 | 259 | 7 | 100.00% | (2) |
| Participations Opéra | EUR | 410 | (183) | 0 | 410 | (183) | 0 | 100.00% | (1) |
| PT Bank BNP Paribas Indonesia | IDR | 1,062,170 | 911,790 | 279,544 | 75 | 64 | 20 | 99.00% | (2) |
| UkrSibbank Public JSC | UAH | 5,069 | (2,491) | 1,465 | 178 | (87) | 51 | 60.00% | (2) |
| Sagip | EUR | 218 | 1,065 | 48 | 218 | 1,065 | 48 | 100.00% | (2) |
| Sharekhan Ltd | INR | 1,359 | 13,276 | 40 | 19 | 186 | 1 | 72.75% | (2) |
| Société Orbaisienne de Participations | EUR | 311 | (91) | (10) | 311 | (91) | (10) | 100.00% | (1) |
| Taitbout Participation 3 SNC | EUR | 792 | 38 | (71) | 792 | 38 | (71) | 100.00% | (1) |
| UCB Bail 2 | EUR | 105 | 10 | 0 | 105 | 10 | 0 | 100.00% | (2) |

*(*) Converted at the rate applicable on 31/12/2016.*
*(1) Non-audited social contributions data as at 31/12/2016.*
*(2) Data used in Group consolidated financial statements as at 31/12/2016.*
*(3) Social contributions data as at 31/12/2015.*

| | | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Share capital | Reserves and retained earnings before income appropriation | Last published net income | Interest held by BNP Paribas SA | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Currency | In millions of foreign currency | | | In millions of euros(*) | | | in % | Ref. |
| **2. Associated companies (10% to 50%-owned)** | | | | | | | | | |
| Banque de Nankin | CNY | 3,366 | 41,982 | 7,066 | 459 | 5,727 | 964 | 18.85% | (3) |
| BGL BNP Paribas | EUR | 713 | 5,642 | 407 | 713 | 5,642 | 407 | 15.96% | (2) |
| BNP Paribas Leasing Solutions | EUR | 1,820 | 748 | 155 | 1,820 | 748 | 155 | 50.00% | (2) |
| Credit Logement | EUR | 1,260 | 253 | 236 | 1,260 | 253 | 236 | 16.50% | (3) |
| Geojit BNP Paribas Financial Services Ltd (Group) | INR | 228 | 3,785 | 488 | 3 | 53 | 7 | 33.58% | (2) |
| Verner Investissements (Group) | EUR | 15 | 327 | 35 | 15 | 327 | 35 | 50.00% | (2) |

*(*) Converted at the rate applicable on 31/12/2016.*
*(1) Non-audited social contributions data as at 31/12/2016.*
*(2) Data used in Group consolidated financial statements as at 31/12/2016.*
*(3) Social contributions data as at 31/12/2015.*

| | Subsidiaries | | Associated companies | |
|---|---|---|---|---|
| *In millions euros* | French | Foreign | French | Foreign |
| **II – General information about all subsidiaries and associated companies** | | | | |
| **Book value of shares** | | | | |
| Gross value | 18,174 | 53,816 | 602 | 3,275 |
| Carrying amount | 17,688 | 47,235 | 593 | 3,095 |
| Loans and advances given by BNP Paribas SA | 70,740 | 13,566 | 1 | 1,008 |
| Guarantees and endorsements given by BNP Paribas SA | 35,003 | 3,073 | 1,983 | 20 |
| Dividends received | 2,681 | 6,469 | 32 | 199 |

# 6.5 Disclosures of investments of BNP Paribas SA in 2016 affecting at least 5% of share capital of French companies

| Change in interest to more than 5% of the capital | | |
|---|---|---|
| Unlisted | BISCUIT INTERNATIONAL | SAS |
| **Change in interest to more than 10% of the capital** | | |
| Unlisted | PAYCAR ABSA | SAS |
| **Change in interest to more than 20% of the capital** | | |
| Unlisted | EUROSUD SCI | SCI |
| **Change in interest to more than 33.33% of the capital** | | |
| None | | |
| **Change in interest to more than 50% of the capital** | | |
| None | | |
| **Change in interest to more than 66.66% of the capital** | | |
| Unlisted | SCI TROPIKAZ | SCI |
| Unlisted | SCI PAPANGUE 3 | SCI |
| Unlisted | ANTIN PARTICIPATION 32 | 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

For the year ended 31 December 2016

*This is a free translation into English of the Statutory Auditors' report on the financial statements issued in French and is provided solely for the convenience of English speaking users.*

*The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.*

*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 compliance with the assignment entrusted to us by your General Shareholders' Meeting, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying financial statements of BNP Paribas SA;
- the justification of our assessments;
- the specific verifications and information required by law.

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

## I - Opinion on the financial statements

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

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the matter set out in Notes 1, 3.e and 3.j to the financial statement, which describe the impact of the first-time application of French regulation ANC 2015-06 which notably relates to the accounting treatment of goodwill and merger losses.

## II - Justification of our assessments

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

**Impairment provisions for credit and counterparty risk**

BNP Paribas SA records impairment provisions to cover the credit and counterparty risk inherent to its business as described in Notes 1, 2.f, 3.a, 3.b, 3.c, 3.e and 3.k to the financial statements. We examined the control procedures applicable to identifying risk exposure, monitoring credit and counterparty risk, defining impairment testing methods and determining individual and portfolio-based impairment losses.

**Measurement of financial instruments**

BNP Paribas SA uses internal models and methodologies to value its positions on financial instruments which are not traded on active markets, as well as to determine certain provisions and assess whether hedging designations are appropriate. We examined the control procedures applicable to identifying inactive markets, verifying these models and determining the inputs used.

**Measurement of investments in non-consolidated undertakings, equity securities held for long-term investment and affiliates**

Investments in non-consolidated undertakings, equity securities held for long-term investment and affiliates are measured at value in use based on a multi-criteria approach as described in Notes 1, 2.g, 3.c and 3.e to the financial statements. As part of our assessment of these estimates, we examined the assumptions underlying the determination of value in use for the main portfolio lines.

**Provisions for employee benefits**

BNP Paribas SA raises provisions to cover its employee benefit obligations, as described in Notes 1, 3.k and 5.b to the financial statements. We examined the method adopted to measure these obligations, as well as the main assumptions and inputs used.

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

## III – Specific verifications and information

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

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

Concerning the information given in accordance with the requirements of article L.225-102-1 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.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Courbevoie, 7 March 2017

The Statutory Auditors

| **Deloitte & Associés** | **PricewaterhouseCoopers Audit** | **Mazars** |
|---|---|---|
| Damien Leurent | Étienne Boris | Hervé Hélias |

# 7 A RESPONSIBLE BANK: INFORMATION ON 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.

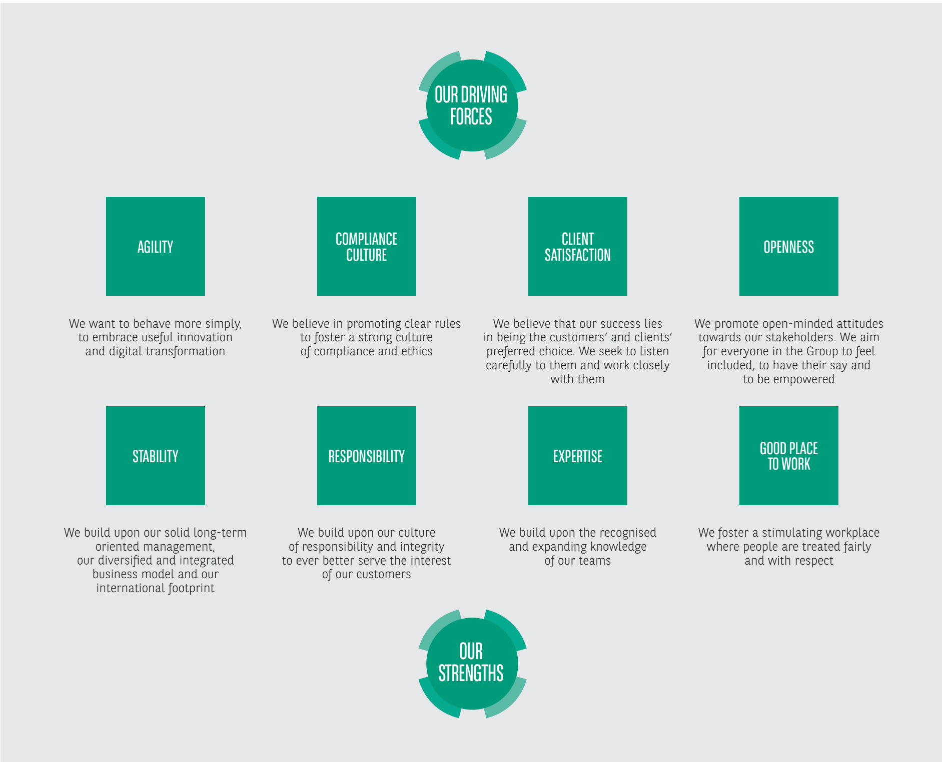
# 7.1 Our mission and our values

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 structured around 4 pillars and 12 commitments, which reflect the Bank's Social and Environmental Responsibility (CSR) priorities and specific achievements. In line with the UN Sustainable Development Goals (SDG), 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.

### BNP PARIBAS' COMMITMENTS AS A RESPONSIBLE BANK

**OUR RESPONSIBILITY**

**4 PILLARS AND 12 COMMITMENTS TOWARDS**

**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<br>INVESTMENTS AND FINANCING WITH A POSITIVE IMPACT | 4<br>PROMOTION OF DIVERSITY AND INCLUSION IN THE WORKPLACE | 7<br>PRODUCTS AND SERVICES THAT ARE WIDELY ACCESSIBLE | 10<br>PARTNERING WITH OUR CLIENTS IN THE TRANSITION TO A LOW-CARBON ECONOMY |
| 2<br>ETHICS OF THE HIGHEST STANDARD | 5<br>A GOOD PLACE TO WORK AND RESPONSIBLE EMPLOYMENT MANAGEMENT | 8<br>COMBAT SOCIAL EXCLUSION AND SUPPORT HUMAN RIGHTS | 11<br>REDUCE THE ENVIRONMENTAL IMPACT OF OUR OPERATIONS |
| 3<br>SYSTEMATIC INTEGRATION AND MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS | 6<br>A LEARNING COMPANY SUPPORTING DYNAMIC CAREER MANAGEMENT | 9<br>CORPORATE PHILANTHROPY POLICY FOCUSED ON THE ARTS, SOLIDARITY AND THE ENVIRONMENT | 12<br>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, the shareholders, the management and the whole Group,
- to ensure a sustainable future for our business and deliver a positive impact on society.

## THE CSR MANAGEMENT INDICATORS

In order to be in line with the Bank's new CSR strategy, the CSR management indicators were redefined in 2015 for the period 2016-2018, and the Group has taken on new 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 the Group's 5,000 top managers and account for 20% of the conditions for attributing this compensation.

### ➤ BNP PARIBAS' CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY INDICATORS

| Pillar | Indicator | 2015 | 2016 | 2018 Objective |
|---|---|---|---|---|
| Economic Responsibility | Share of loans to companies contributing strictly to the achievement of UN Sustainable Development Goals | 15% | 16.6% | Maintain at least at 15% |
| | Percentage of employees trained on an ethics-related issue | No action | 96.3% | 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% | 40% |
| Social Responsibility | Percentage of women among the members of cross-functional executive committees across business lines and/or countries(*) | 21% | 24% | 23% |
| | Percentage of employees having at least 14 weeks of paid maternity leave and/or six days of paid paternity leave | 74% | 81% | 85% |
| | Percentage of employees reporting having been trained (any format, including e-learning) over the past 12 months | 74% | 85% | 90% |
| Civic Responsibility | Annual number of beneficiaries of microloans distributed by microfinance institutions financed by BNP Paribas (on a prorata basis of the financing issued by BNP Paribas) | 250,000 | 309,000 | 350,000 |
| | Percentage of employees contributing directly to the promotion of human rights who have received a specific training | No action | 13% | 80% of the target population (around 3,000 people) |
| | The BNP Paribas Group's annual sponsorship budget | EUR 38.6 million | EUR 40.4 million | Average yearly budget over the 2016-2018 period greater or equal to the 2015 budget |
| Environmental Responsibility | Financing for renewable energies | EUR 7.2 billion | EUR 9.3 billion | EUR 15 billion in 2020 |
| | Greenhouse gas emissions | 2.89teq$CO_2$/FTE | 2.72teq$CO_2$/FTE | 2.41teq$CO_2$/FTE in 2020 |
| | Number of people made aware of climate issues by BNP Paribas | 70,000 | 116,000 | 140,000 |
| 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% | 72% |

*(*) Out of approximately 500 Top executives.*

## 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 74 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;
- the United Nations Environment Programme – Finance Initiative (UNEP-Fi);
- the Carbon Disclosure Project (CDP);
- the Roundtable on Sustainable Palm Oil (RSPO);
- Businesses for Human Rights (*Entreprises pour les Droits de l'Homme*, EDH);
- Businesses for the Environment (*Entreprises pour l'Environnement*, EpE);
- the French Business Climate Pledge;
- 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.

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 Institutional Investors Group on Climate Change;
- the Montreal Carbon Pledge;
- the Transition Pathway Initiative;
- the Portfolio Decarbonization Coalition;
- the Principles for Mainstreaming Climate Action within Financial Institutions;
- the Banking Environment Initiative (BEI) and its Soft Commodities Compact;
- the Financial Institutions' Declaration of Intent on Energy Efficiency from the EBRD/UNEP Finance Initiative;
- the UNEP Finance Initiative's Positive Impact Principles;
- the Principles for Responsible Investment (PRI), for BNP Paribas Investment Partners (2006), BNP Paribas Real Estate Investment Management (2015), BNP Paribas Cardif (2016) and BNP Paribas Securities Services (2016), totalling assets held, managed or secured by the Group of almost USD 10,000 billion.

Finally, for several years, the Group has also formalised voluntary commitments via:

- a Statement by BNP Paribas on Human Rights;
- a policy of combating corruption;
- a Charter for responsible representation with public authorities: this 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;
- financing and investment policies for agriculture, palm oil, defence, nuclear energy, paper pulp, coal-fired power, mineral extraction and oil sands;
- 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.

These commitments were strengthened **in 2016 and in January 2017**:

- through the adoption of a **position on the tobacco industry**: as smoking is recognised by the WHO as one of the leading causes of avoidable deaths in the world, BNP Paribas wanted to encourage its clients in this industry to conduct their business in accordance with best international practice;
- by **strengthening the Group's Environmental** Commitments: the scientific community has raised many alerts on current and future environmental issues such as climate change, deforestation, atmospheric pollution, etc. The BNP Paribas Environmental Commitments, taken from 2011 onwards, were updated in 2016 to reflect further integration of these issues in the Group's strategy;
- by strengthening the criteria of its financing and investment policy in the coal sector. BNP has in fact decided to **no longer finance any coal-fired electricity generating stations,** regardless of the country in which it is located.

## 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 |
|---|---|---|---|
| CDP | A- (2016) *Change in methodology* | 99 A- (2015) | |
| FTSE4Good | 4.5/5 (2015) | 3.9/5 (2014) | FTSE4Good Global Index |
| Oekom | C (2016) | C- (2015) | Prime (best-in-class status) |
| RobecoSAM | 87/100 (2016) | 82/100 (2015) | DJSI World – DJSI Europe Bronze Class distinction |
| Sustainalytics | 77/100 (2016) | 79/100 (2015) | Global Compact 100 of the United Nations and STOXX Global ESG Leaders |
| Vigeo Eiris | 64/100 (2017) N° 1 European bank in the ranking | 63/100 (2015) | NYSE Euronext-Vigeo Eiris World 120, Eurozone 120, Europe 120 and France 20 |

In 2016, BNP Paribas was also included in the following indexes: Bloomberg Financial Services Gender Equality Index, Pax Ellevate Global Women's Index Fund[1] and BMCI, its Moroccan bank, was in the Euronext-Vigeo Eiris Ranking Emerging 70 in 2016 and 2017.

BMCI's presence in this index is the result of its extra-financial rating of 58/100 by the agency Vigeo Eiris; as a result, the Moroccan bank ranks first in the diversified banks (Emerging Countries) sector in the agency's 2017 ranking.

This is illustrated in particular by its high scores on the human rights, human resources and market behaviour criteria.

Other bodies (media think tanks, etc.) have also acknowledged the Group's improved performance. Indeed, BNP Paribas:

- maintains itself in 2017 in the "100 most sustainable companies" ranking, as published by specialist Canadian magazine Corporate Knights, coming in 42nd place;
- won an award for "Best Bank for Climate Change and Sustainability" at the 2016 Banker Investment Banking Awards. This award acknowledges the banks with the most innovative solutions which are most closely aligned with clients' new needs;
- has been awarded the maximum of 5 points in the Global Canopy Programme think tank's 2016 Forest 500 ranking, for its anti-deforestation policy which supports the "zero net deforestation" commitments of its clients.

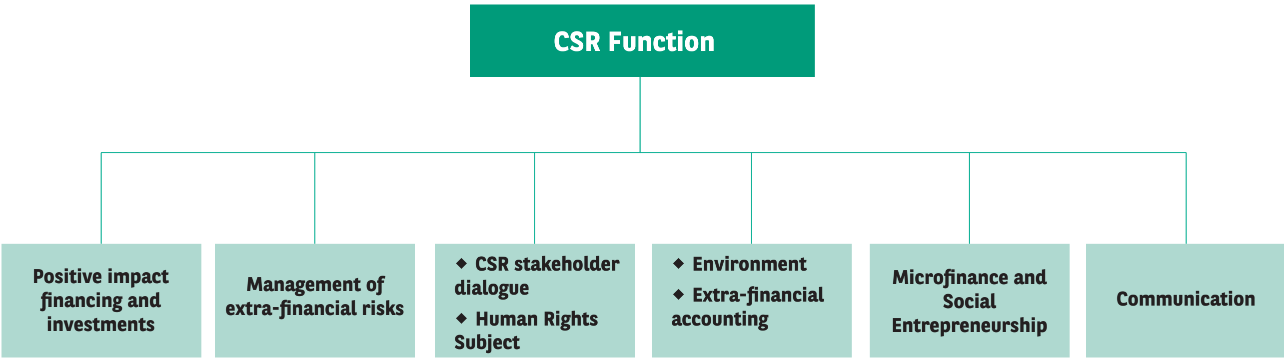
## CSR TAKEN TO THE HIGHEST LEVEL IN THE ORGANISATION

Year by year, BNP Paribas is making progress in implementing its CSR policy and this is thanks to the daily commitment of its 192,419 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.



(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.*

A dedicated department is responsible for managing the Bank's CSR commitments. Reporting directly to the Group Executive Management since 2012, the CSR Function currently reports to Michel Konczaty, Deputy Chief Executive Officer of BNP Paribas. 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:




A network of CSR professionals works in the divisions, business lines, networks, functions and subsidiaries in order to facilitate implementation of the CSR policy in the entire Group. It meets quarterly within the Group's CSR Committee, chaired by the head of the function. In 2016, this network was enlarged, by both the number of people and also geographically with the creation of dedicated teams in new countries. 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 finance and investment policies.

In addition to this mechanism on the ground, BNP Paribas has put in place several initiatives in order to make sure that the CSR policy is also implemented at the highest level of the organisation. 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 the CSR in each entity in order 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 is why the Group signed the *Comité 21* "Guiding principles for a constructive dialogue with stakeholders" in 2015. It also published "Objectives of and procedures for dialogue between BNP Paribas and its stakeholders", with three aims: anticipating change in our businesses and improving our products and services, optimising risk management and finding innovative solutions to make a positive impact on society.

This dialogue is governed by specific policies and procedures. For each type of stakeholder, they define the dedicated interlocutors, the appropriate formes of dialogue and, if necessary, the specific grievance mechanisms.

Some examples of dialogue with stakeholders and the means put into place to facilitate the exchanges (see the note accessible via the link at the end of this chapter for more information):

- 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. International Retail Banking entities on the African continent and in Turkey, Eastern Europe, the United States of America etc. analyse and process the complaints made by their clients. Furthermore, an increasing number of entities offer their clients access to an independent ombudsman. Particularly in France, pursuant to the provisions of the MURCEF law, mediation has been introduced for individual customers (see the BNP Paribas Mediation Charter – Individual Customers: https://mabanque.bnpparibas/en/commitments-charters-and-agreements/bnp-paribas-banking-mediation-charter-and-report). An annual report on the work of the independent ombudsman is also available at: https://mediateur.bnpparibas.net/. BNP Paribas also has a dedicated mediation procedure for its corporate clients (see the BNP Paribas Mediation Charter – Corporate clients: https://mabanquepro.bnpparibas/fr/banque-contacts-pro/engagement-chartes-et-conventions/charte-et-rapport-de-la-mediation-bancaire-bnp-paribas). Both of these ombudsmen are appointed for a three year renewable term and are neutral and independent; they give an impartial, transparent opinion which is binding upon the Bank (see *Protecting Clients' Interests*, Commitment 2).
- For the asset management business, **BNP Paribas Asset Management engages in dialogue with the companies in which the subsidiary invests**. Its aim is to improve and preserve the medium- and long-term value of the investments made on behalf of our clients, by encouraging best environmental, social and governance (ESG) practices. In 2016, this dialogue with the companies covered: climate change and the energy transition; Directors' remuneration; the transparency and integrity of reports on clinical trials conducted by pharmaceutical laboratories; access to healthcare or food; sustainable agriculture and protection of livestock.

At the same time, BNP Paribas Asset Management supports the ESG commitment of the companies in which it invests via its voting rights policy (http://www.bnpparibas-ip.com/en/corporate-social-responsibility/our-economic-responsibility/our-responsible-investment-and-esg-policy/), which outlines the main points of the encouraged corporate governance. Each year, BNP Paribas Asset Management reports on the exercising of its voting rights (see Integrating *ESG criteria into savings products,* Commitment 3).

- BNP Paribas provides its **suppliers** with a redress procedure in the event of difficulties: a mediator internal to the Group, independent of the Purchasing function, can be approached by any supplier, in accordance with the Group's CSR Charter for Suppliers (https://group.bnpparibas/uploads/file/suppliers_csr_chartre_en_version2016.pdf).
- BNP Paribas presents its CSR strategy several times a year to **Socially responsible investors (SRI)** and regularly notifies extra-financial analysts of it. The Group has defined a policy and management processes for its relations with **advocacy NGOs**, in order to ensure a constructive, coordinated and productive dialogue with them. In 2016, BNP Paribas responded to 54 solicitations from advocacy NGOs and organised several meetings. Each year, a summary of NGO relationships is presented to General Management.
- 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. BNP Paribas is also one of the eight original signatories of the joint declaration on lobbying of member companies of Transparency International France. Finally, in 2015, its Public Affairs France Department developed a website showcasing its work and its commitments in the area of responsible representation (http://economieetentreprises.bnpparibas/fr/). This website offers a direct link to the Group's main public positions on banking and finance regulations, presented on its institutional website (https://group.bnpparibas/principales-positions-publiques-reglementation-bancaire-financière). BNP Paribas is among the world's Top 10 large companies with transparent, integrated lobbying practices, according to the Vigeo Eiris study published in October 2015.
- Dialogue with stakeholders can also take other forms. In 2016, BNP Paribas Real Estate wanted to carry out a materiality analysis of its priorities by conducting a **consultation with its stakeholders.** 6,600 of them were asked to respond to an online consultation, in 11 European countries where the Group operates. A majority of respondents (53%) deemed the level of coporate responsibility of BNP Paribas Real Estate to be "pioneering" or "committed".

**The mapping of our stakeholders and the dialogue with each of them are outlined 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 "Our environmental and social responsibility/Organisation, governance and strategy" of the BNP Paribas website: https://group.bnpparibas/en/organization-governance.**

# 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. With its leading positions in financial services in the 74 countries in which it operates, the Group's financing capacity and the way it conducts its business have a direct impact on local economies. Aware of this economic responsibility, BNP Paribas bases its actions on its three commitments:

- Commitment 1: Investment 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.

## COMMITMENT 1: INVESTMENTS AND FINANCING WITH A POSITIVE IMPACT

From SMEs and start-ups to international groups, BNP Paribas supports all kinds of companies. By financing and investing ethically, the Bank plays a role in the economic development of society as a whole and supports jobs creation.

### SUPPORTING SMES AND BOOSTING EMPLOYMENT

#### Growth in financing

Despite the lacklustre economic context, BNP Paribas has increased its lending to corporate clients and individuals in its four domestic markets, at a rate exceeding the GDP growth in each of these countries. Thus, in the past eight years, GDP growth was 11.4% and loan growth was 18.9% in France; 13.7% versus 2.5% in Italy; and 30.7% versus 23% in Belgium and Luxembourg (in seven years for this latter scope).

#### Supporting SMEs

BNP Paribas has developed a solid model and reliable expertise to foster the companies' growth, in particular that of SMEs, which the Bank effectively supports in France and internationally.

In 2016, its commitment to SMEs and small business clients has again been strengthened with:

- on the European scale, the launch, in September, of the **BNP Paribas European SME Debt Fund**, which brings together 13 institutional investors for a total amount of EUR 500 million. The purpose of this fund is to finance the growth plans of European SMEs by offering them a unique financing solution that combines two debt tranches under a single contractual arrangement: a traditional medium-term (5-7 years) bank loan, plus a long-term loan (7-10 years) reimbursable at maturity, supported by the debt fund. Managed by BNP Paribas Investment Partners, this fund carries the ELTIF (European Long Term Investment Funds) label, which is awarded by the regulator to promote the long-term financing of infrastructure projects by unlisted companies or listed SMEs.
- **French Retail Banking** has deployed a specific system for SMEs and their Directors which covers 300 expertise center. Its long-term commitment makes BNP Paribas a go-to bank for SMEs. It was awarded a "positive opinion" by Association Pacte PME in January 2017.
- In **Belgium**, BNP Paribas Fortis has committed to granting an additional EUR 300 million to businesses for the long-term financing of SMEs as part of the Banking Plan of the Flemish Minister-President Kris Peeters;
- In **Italy**, the new version of the dedicated SME portal "Mestiere Impresa", launched in September 2015, attracted 2,211 new companies in one year and now has 5,211 members. This portal gives them a platform for discussion, and offers dedicated products.
- In the **United States**, Bank of the West has increased the SME loan portfolio by 15% and has lent a total of USD 3.5 billion in 2016. Bank of the West is the 13th biggest lender to small businesses in the United States (17th in 2014 and 14th in 2015).
- BNP Paribas SA recorded a Competitiveness and Employment Tax Credit (CICE) of EUR 36 million at 31 December 2016. This sum was allocated to the improvement of competitiveness, notably in terms of capital investment, innovation and training. To this effect, it contributed to the efforts made to optimise operating methods and to keep improving operational efficiency.



#### 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.

To date, support to businesses is mostly measured by the value of loans granted to them: in 2016, the Bank served 46,000 businesses in France, almost 2,500 more than in 2011. 50% of these clients were supported for over five years on average. Total loans approved amounted to around EUR 50 billion, 20% of the loans granted in France.

Bank loans are one of the most important sources of financing for French companies; however, the way in which loan flows trickle down into the economy and their impacts in terms of value creation and job creation are not objectively known. 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 Group has:

1. Developed an innovative valuation method: it used economic multipliers calculated using "input-output" tables of the French economy, based on the work of Nobel economics prize winner Wassily Leontief, and national accounting consolidated by Eurostat. These tables make it possible to measure the interdependencies between sectors of the economy, and the spillover effects of a sector on the rest of the economy.
2. Tested and validated the relevance of this methodology on a representative sample of loans. The aim was to ensure that the calculation assumptions and application of the statistical data gave results consistent with clients' business activity.
3. Taken as an assumption that short-term loans, which support the activity of businesses and that of their suppliers, only have an impact over the year in which they are allocated, while investment loans are thought to support or even contribute to boosting a business for 4 years on average. They will have an impact on the production of the business, the business of its usual suppliers, but also that of its equipment suppliers.
4. Applied this methodology to all business clients in its French network with a minimum revenue of EUR 750,000 and to all loans granted for their business activity in France.

The results show that loans to businesses in the France network contributed to maintaining or creating 820,000 jobs in France – around 5% of market jobs. Almost 200,000 of these jobs, around 24% of the total, were generated by the SMEs (businesses with revenue of under EUR 50 million). Jobs generated by investment loans account for around 80% of the total impact of the loans in terms of jobs, demonstrating their crucial importance in overall support to the economy.

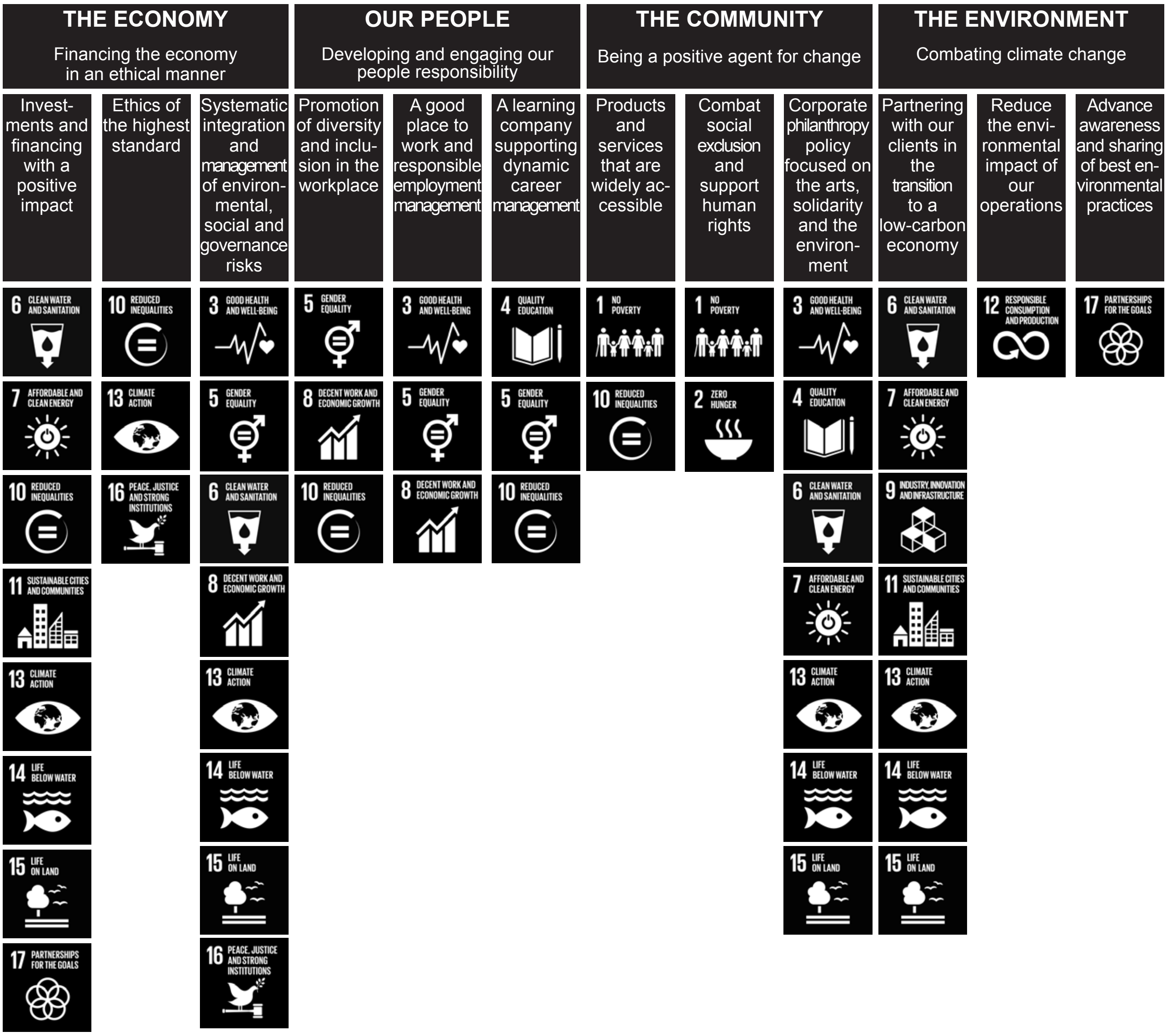
The 2016 pilot study is the first stage in evaluating the economic impact of BNP Paribas. It shows that, through its loan business, the French retail network makes a significant contribution to wealth and job creation, even in an economic period (2012-2015) in which net job creation was negative.

## 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 aim between now and 2030 to build a sustainable future: to end poverty and hunger, promote education and equality, build sustainable cities, protect the environment, etc.

### A CSR strategy based on the sustainable development goals

The Group's CSR strategy contributes fully to attaining the SDGs. It covers economic growth priorities, inclusion of vulnerable populations and preserving resources. The illustration below shows the links between the SDGs and the 12 commitments of the CSR strategy:



### Partnerships for attaining the Objectives

Through the SDG 17 (partnerships for attaining the objectives), the UN is emphasising the need to develop effective partnerships between governments, the private sector and civil society. That is why BNP Paribas has chosen to promote awareness-raising programmes such as those initiated by its Polish subsidiary BGZ, which became a partner in the Polish programme "The SDGs in practice", which aims to integrate the SDGs into companies' strategies. In Belgium, BNP Paribas Fortis has signed the Belgian SDG Charter which aims to improve cooperation between those involved in international development, the private sector and civil society to attain the 17 SDGs.

To further boost its action, the Group measures its contribution to the SDGs and develops new products and services to promote the attainment of these goals.

### Performance indicator for the SDGs

The Group decided to introduce the SDGs into its CSR key performance indicators. Forerunner in the banking sector, it is the first to propose a yearly global indicator. BNP Paribas has been supported by Vigeo-Eiris in the development of this indicator, which measure the proportion of loans making a direct contribution to attaining the SDGs, which was 16.6% in 2016, compared to 15% in 2015.

## Financing which contributes to attaining the SDGs

### Economic sectors making a full contribution to the SDGs

Some sectors are considered as having an overall positive contribution to the SDGs: community, social, education, health, agriculture, recycling, renewable energy, research, etc. The following financings by way of example, are worth noting in particular:

- In the **healthcare** sector:

In the **United States**, Bank of the West has been supporting AltaMed Health Services since 2012, which has 43 medical centres caring for the most disadvantaged sectors of the Latin American, multi-ethnic and Southern Californian populations. The loans granted by the Bank since 2012 – over USD 22 million – have enabled over 930,000 patient visits.

- In the area of **access to water** and **transport**:
  - In **Vietnam**, BNP Paribas Fortis granted a loan of EUR 11.5 million to the Finance Ministry to modernise three pumping stations in the province of Hà Nam. The 138% increase in pumping capacity will enable better drainage of residential and agricultural areas, flooded by polluted rivers during the rainy season.
  - The Group also supported the financing of infrastructure **to improve traffic in cities**, such as in Manama, **Bahrain,** where it provided USD 65 million in finance to the Bahrain Public Transport Company – BPTC. This project is of strategic importance to the country, helping to reduce traffic congestion and pollution. In 2016, 33,000 people per day used one of the 141 buses in the public transport network.

Other activities are also considered as having a positive impact: Group support for microfinance (see Commitment 7), social enterprises (see Commitment 1), energy efficiency (see Commitment 10), partnerhsips with international institutions...

### Partnerships with development banks and institutions

Thanks to these partnerships, amounting to a total in excess of EUR 770 million in 2016, BNP Paribas lends specific support to targeted client categories: SMEs, export support, small farmers (Turkey and Poland), female entrepreneurs (Turkey).

- In **Tunisia**, the UBCI became at the end of 2016 – a partner of Proparco, a subsidiary of the French Development Agency (AFD) dedicated to the private sector, via the signature of a EUR 30 million credit line for SMEs. It will help facilitate their access to long-term finance.
- In **Ukraine**, the EBRD signed an agreement with UkrSibbank to finance the energy efficiency of individuals. The budget of EUR 10 million is to improve their homes (insulation, windows...) and increase their access to renewable energy.
- In **Guinea**, the BICIGUI and the AFD entered into a guarantee agreement to provide loans to SMEs. This partnership is part of the ARIZ system, a risk-sharing tool which has two facets: EUR 4 million to increase access to finance for these companies and EUR 300,000 targeting SMEs and independent professions.

### Other finance with a strong positive impact

Ultimately, some transactions do not belong to any of these sectors, although they contribute to attaining the SDGs through their positive impacts. They may have an environmental (managing biodiversity, water, air quality, GHG emissions, etc.), economic (job creation, community revitalisation, etc.) or civic (inclusion of vulnerable people, improved access to healthcare or education, etc.) dimension. These transactions must meet the following criteria: contribute to a more sustainable economy (greener, more inclusive, more respectful of local communities, etc.); respect the Group's risk and profitability criteria and not be the subject of any major controversy.

There are some specific examples of this approach:

- In partnership with the IFC, for the **sportswear manufacturer Puma**, BNP Paribas was the first and only commercial bank to develop a finance programme for the supply chain which includes environmental and social criteria (E&S). Based on a bonus/penalty system applied to suppliers, which is based on their E&S performance as evaluated by Puma, this programme reinforces good E&S practice in the supply chain.
- In **West Africa**, Cargill West Africa, which specialises in exporting raw cocoa beans and cocoa-based products, has worked across its whole supply chain to ensure farmers secure the best possible income, living conditions and a sustainable cocoa supply. Thanks to the loan of 14 billion CFA francs (around EUR 22 million) granted by BNP Paribas, the Company has been able to roll out its programme: hundreds of farming cooperatives support the farmers and finance small social projects for women.

**The start-ups** also contribute to attaining the SDGs by developing innovative solutions in response to major environmental and social challenges. Among the 407 high impact start-ups which are French Retail Banking clients, 21% have a positive impact on biotechnologies, 17% have both social and environmental impacts, 17% are active in the fields of medical and pharmaceutical research, and 13% have a significant tangible impact on energy efficiency.

### Investment solutions which contribute to attaining the SDGs

To enable the savings of its individual and institutional clients to contribute to attaining the SDGs, BNP Paribas has developed a range of adapted products.

- BNP Paribas Investment Partners has a range of themed funds which directly correspond to some of the SDGs:
  - BNP Paribas Aqua contributes to goals: 3 (Good health and well-being), 6 (Clean water and sanitation), 9 (Industry, innovation and infrastructure) and 14 (Aquatic life),
  - BNP Paribas Human Development contributes to goals: 2 (Zero hunger), 3 (Good health and well-being), 4 (Quality education), 6 (Clean water and sanitation), 11 (Sustainable cities and communities) and 12 (Responsible consumption and production).
- In October 2016, BNP Paribas Corporate and Institutional Banking, obtained the exclusive licence of the Solactive Sustainable Development Goals World index. This new share index enables private and institutional investors to invest in companies identified as making a significant contribution to progress on the SDGs, through the products they offer or their exemplary behaviour.

## FINANCING SOCIAL ENTREPRENEURSHIP ("SE")

Social enterprises "SE" are based on a hybrid model and aim to generate a strong positive social or environmental impact, while being economically sustainable. 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.

In 2016, its various support strategies for social enterprises were awarded the "Brand of Excellence in Social Entrepreneurship" for Europe by the *Finance Digest* magazine.

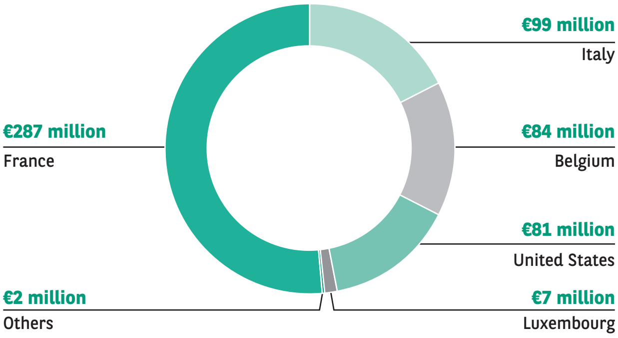
### Strong growth in funding

At 31 December 2016, BNP Paribas' support to social enterprises amounted to **EUR 641 million**, up 38% compared to 2015 on a like-for-like basis. This amount includes EUR 479 million direct in loans (compared with EUR 351 million in 2015), to which can be added EUR 81 million from Bank of the West recorded for the first time in 2016, and EUR 81 million as non-loan transactions (compared with EUR 65 million in 2015).

930 social enterprises (clients and partners) in seven countries were benefiting from this support at the end of 2016, most of which are in domestic markets. Including the microfinance sector, a particular domain of social entrepreneurship (see *Products and services that are widely accessible,* Commitment 7), the Group's total support amounted to **EUR 890 million**, benefiting 966 clients and partners at the end of 2016.

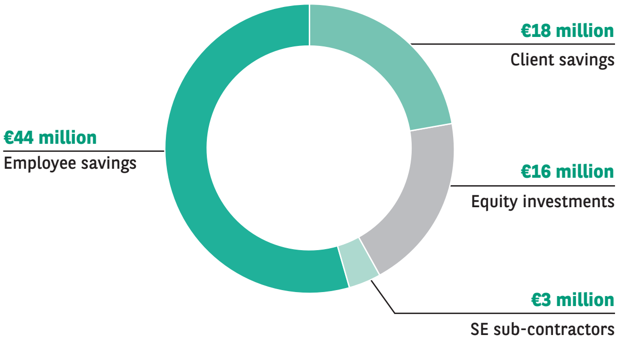
### ➤ BNP PARIBAS GROUP SUPPORT FOR SOCIAL ENTERPRISES AT 31/12/2016 – EUR 641 MILLION

➤ ***Support for social enterprises: loans by country – EUR 560 million***




TOTAL: €560 million

➤ ***Support for social enterprises excluding loans – EUR 81 million***




TOTAL: €81 million

Social enterprises are specifically supported by BNP Paribas in 7 countries:

- In **France**, the Group confirmed its role in this sector with several initiatives which supplement its loan offering:
  - Close coordination between several entities such as BNP Paribas Investment Partners, Wealth Management and Retail Banking in France makes it possible to offer a wide range of financing options to social enterprises, in debt or in equity, from short to long term, via, for instance, the BNP Paribas Social Business France Fund. This fund reached net assets of EUR 97 million at the end of 2016 and has invested in 18 social enterprises.



7

- BNP Paribas Investment Partners was managing at the end of 2016, almost EUR 1.5 billion of community savings. Part of these savings were channelled to 8 BNP Paribas Investment Partners funds (5 of which have the Finansol label), enabling 23 entities of the social entrepreneurship and microfinance sectors to be financed.
- In 2016, the Group played a key role in setting up the new NovESS fund promoted by the *Caisse des Dépôts*, becoming its first partner with a total investment of EUR 10 million. NovESS seeks to strengthen the equity of the most mature structures of the social economy (medico-social, inclusion, etc.), to help then scale up, but also to support social innovation projects. BNP Paribas has also invested EUR 3 million in the Impact Création Fund of Impact Partenaires, to support and set up local businesses in disadvantaged areas.

- In **Belgium,** BNP Paribas Fortis offers its Wealth Management clients the option to sign up to socially responsible investing (SRI) fund, the Venture Philanthropy Fund, where for each euro invested, a portion of the interest is donated to the Roi Baudouin Foundation, which uses it to support associations and social enterprises. In 2016, over EUR 730,000 was disbursed to 9 entities.
- In **Italy**, BNL is now part of the Social Impact Agenda for Italy which helps develop the ecosystem of social impact investments. Additionally BNL has appointed 20 SE advisors in the retail network and has invested EUR 1 million via its pension fund in the Oltre Venture 2, which finances health and housing access projects. It is the first time in Italy that a pension fund has made an investment with a social impact.
- In **Tunisia**, the UBCI has become the second subsidiary of the Group in North Africa to develop a specific strategy around social enterprises. The Bank has chosen the Lab'ESS incubator (a major player in the social economy in Tunisia) to roll out its programme and support Tunisian SEs.
- In **Morocco**, having launched the SE support project in 2015, BMCI finances several social enterprises and has implemented a special partnership with the Bidaya business incubator.
- In **Senegal**, the BICIS also works with the main stakeholders in the sector (local authorities, public institutions, development agencies such as the AFD, SE support networks such as Ashoka, university researchers, etc.) to help build an ecosystem conducive to the emergence of social enterprises in the country.
- In **California**, USD 80 million loans to social entrepreneurs have been granted to hospitals for the most disadvantaged and to social housing. They also meet the conditions of the Community Reinvestment Act.

## SOCIAL IMPACT BONDS: A NEW TOOL FOR FINANCIAL INNOVATION

Social Impact Bond ("SIB"), or Contrat à Impact Social, is a new financial tool enabling private investors to finance programmes for social innovation and generate savings for the State. If these experiments are successful, the public authorities use all or part of the savings achieved to reimburse and pay the investors.

BNP Paribas has developed an offering and expertise on this area as structurer and investor.

On 24 November 2016 BNP Paribas signed in the presence of the French President François Hollande one of the first 2 French Social Impact Bond. BNP Paribas played a dual role vis-a-vis Adie, its historic partner on one hand: the Group structured the bond, social impact, coordinated the discussions between the stakeholders and created a tailored product to enhance the social impact. On the other hand, it is also one of the investors. This product finances a programme to develop entrepreneurship in isolated rural areas. It aims to find new stable employment for at least 320 people which will generate over EUR 2 million in savings for the State (saved unemployment benefit payments, tax receipts, etc.).

By providing the financial and legal engineering for the first French social impact bond, BNP Paribas has contributed, in partnership with the French Treasury and Ministry of Finance, to creating a standard for this new type of financing.

At the same time, in the **United States**, BNP Paribas CIB in New York has invested in a Social Impact Bond for USD 11 million in the State of Connecticut, dedicated to child protection. Its aim is to reduce the number of children placed in children's homes via an innovative approach to create emotional connections between parents and children and reduce the use of addictive substances.

## MEASURING SOCIAL IMPACT

To better meet the expectations of its clients and partners of the social economy and to successfully structure the social impact bond , in 2015 BNP Paribas implemented a measurement methodology of social and/or environmental impact of social enterprises.

This methodology is already being applied twice yearly to the social enterprises in which **BNP Paribas Investment Partners** has invested; i.e., 20 partners as of 30 June 2016. The full results are available at: http://docfinder.is.bnpparibas-ip.com/api/fi les/BB5E6BB5-12FE-461D-848B-44ECDDA57C44.

For example, 30% of the impact investments are invested in four structures operating in the social cluster "Access to Housing".

They provide 4,044 homes, 80% of which are highly social units.

The impact measurement continued in 2016 project. BNP Paribas contributed to setting up **MESIS:** a methodology for measuring and monitoring social impact, developed to meet the evaluation needs of the investments of the NovESS fund.

MESIS is mainly based on the impact methodologies of BNP Paribas and the Comptoir de l'Innovation, and is complemented by collaborative work with the *Caisse des Dépôts* and Kimso. This unprecedented methodology combines a selection process, the setting of targets evaluated yearly during the investment period and a dynamic approach which measures the change in performance from the begining of the investment, halfway through and at the end. Moreover, for reporting requirements, a range of indicators enables different data to be measured, compared and aggregated.

MESIS currently being tested, will be acknowledged as a standard for social impact investment in France, enabling industry studies to be consolidated and benchmarks to be established.

## DESIGNING AND PROMOTING SOCIALLY RESPONSIBLE INVESTMENT (SRI) FUNDS

In 2016, BNP Paribas Investment Partners 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 focuses on committed issuers (best-in-class); the other is themed and targeted on the business activities, products and services linked to environmental protection and/or social well-being. In total, EUR 25 billion in SRI assets were managed by BNP Paribas Investment Partners as at 31 December 2016. Total SRI assets increased by 31.5% this year, more than the assets managed by BNP Paribas Investment Partners which increased by 6.4% over the same period.

### 25 ESG/SRI labels were awarded in 2016

- To 7 funds: the SRI label of the French State. 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.
- To 6 funds: the Environment LuxFLAG label (denotes a strong involvement in the environment sector and a high level of transparency for investors).
- For 2 funds: the ESG LuxFLAG label.
- For 5 funds: the Finansol label which concerns investments in the areas of social economy and microfinance.
- For 5 funds: the CIES (Comité Intersyndical de l'Épargne Salariale) label;
- These labels support BNP Paribas Investment Partners in its long-term commitment to develop and promote its range of SRI products.

### ➤ BNP PARIBAS SRI FUNDS AWARDED IN 2016

| Fund | SRI label | Finansol | CIES | Luxflag Environment | Luxflag ESG |
|---|---|---|---|---|---|
| | | | | ENVIRONMENT LUXFLAG Label | ESG LUXFLAG Label |
| BNP Paribas Aqua | | | | X | |
| BNP Paribas L1 Equity World Aqua | | | | 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 |
| BNP Paribas Social Business France | | X | | | |
| BNP Paribas Social Business Impact France | | X | | | |
| BNP Paribas Actions Europe Responsable | X | | | | |
| BNP Paribas Euro Valeurs Durables | X | | | | |
| BNP Paribas Obli Responsable | X | X | | | |
| Parvest Sustainable Bond Euro | X | | | | |
| Parvest Sustainable Bond Euro Corporate | X | | | | |
| Parvest Sustainable Equity Europe | X | | | | |
| Multipar funds | | 2 funds | 5 funds | | |
| MAIF Investissement Responsable Europe | X | | | | |

### New investment strategies offered to clients in 2016

- With the **BNP Paribas Sustainable Bond Euro Short Term** and **Parvest Sustainable Bond World Corporate**, BNP Paribas Investment Partners expanded its range of SRI bonds products to meet client demand linked to the low interest rate environment or a desire to diversify geographically.
- BNP Paribas Investment Partners continued to develop its range of **SRI Equity funds**, by introducing the innovative concept of the "responsible dividend". This new strategy capitalises on a central theme, high-dividend shares, by selecting companies according to financial and extra-financial criteria.

### Confirmed success of thematic funds among retail clients

- **BNP Paribas Parvest SMaRT Food** invests in companies in the food sector who contribute to solving critical problems, such as the need to reduce pollution, mitigate climate change or offer higher quality food products, while simultaneously respecting ethical guidelines. In addition to receiving the ESG label awarded by LuxFLAG, the Luxembourgian fund approval agency, SMaRt Food won an award for the European Fund Launch of the year at the 2016 Funds Europe Awards.

- **BNP Paribas Aqua, BNP Paribas Human Development and BNP Paribas Social Business France** continued to attract savers wishing to make meaningful investments. Assets managed by these funds have in fact reached, respectively, EUR 1.4 billion, EUR 1.1 billion and EUR 96 million.

### A marked increase in inflows

**BNP Paribas Wealth Management** continues to roll out its SRI offering with increasing success: the funds invested in SRI by clients reached EUR 8.5 billion at the end of 2016, a 50% per year increase since 2010.

In Belgium in particular, the promotion of SRI, which BNP Paribas Fortis began in 2013, continues to bear fruit: the assets it manages have increased by 30% in 2016, reaching EUR 6.1 billion at the end of 2016. Thanks to such a growth, its SRI market share in Belgium has now surpassed 40%.

## TAILORED ADVICE AND SUPPORT

### Women's entrepreneurship

Women today are founding twice as many businesses as men globally, holding 51% of global wealth and controlling spending in 70% of households. In emerging countries, they play a major role in development. However, in the euro zone, women are still in a minority among entrepreneurs (less than 35% in 2015).

Aware that access to finance is key in business creation, the Group continues to work with women in France. In 2016 Retail Banking in France:

- Appointed **50 women's entrepreneurship** advisors to cover the whole of France;
- Delivered some 40 educational workshops called "**Connect&Change**" to raise awareness about development factors, open to all female Directors;
- Launched a **study** on support for female entrepreneurs, to create diagnostic tools and identify relevant support mechanisms;
- Increased its presence in the female entrepreneurship ecosystem via **historic partners**: Fédération Pionnières, WBMI, WEG.

At the same time, BNP Paribas organised over **80 networking events** all over France in 2016 and, in partnership with WBMI, **training at Stanford University** in the US for clients and female entrepreneurs with international experience.

**In the United States**, BNP Paribas and Bank of the West supported for the third consecutive year the Women's Entrepreneurship Day at the United Nations, an event spread across 144 countries.

**In Turkey**, the Women Banking Department of TEB, founded in 2015 to support female entrepreneurship, organised 15 "TEB Women Academies" in 2016 in 11 Turkish cities. This event provided networking opportunities for over 2,000 female entrepreneurs. Moreover, a mentoring programme between female Turkish entrepreneurs and British businesswomen was set up through the partnership between TEB and the Cherie Blair Foundation in the United Kingdom.

### Start-ups and innovative companies

In **France**, BNP Paribas increased its support for innovative entrepreneurship in 2016.

- The Bank has committed to developing its capital investment, directly in start-ups or via capital innovation funds, for a total of **EUR 60 million over 5 years**, including EUR 10 million in 2016.
- Retail Banking and the Atelier BNP Paribas launched the second season of **Innov&Connect**, the first bank programme dedicated to innovation to connect start-ups with companies. This year, 12 partnerships were formed: over 6 months, the start-ups had a stimulating work environment to develop their innovation projects and implement joint experiments;
- Finally, BNP Paribas continues to support major innovation events and those promoting French start-ups, such as **Viva Technology**.

In total in 2016, 2,000 start-ups were supported by the 15 BNP Paribas innovation centres, including 400 new start-ups.

In **Luxembourg**, the Lux Future Lab has developed considerably, with the arrival of 12 new start-ups, in addition to the existing 24. This incubator has partnered with key players in Luxembourg in order to offer them an expanded range of complementary services (legal, accounting, tax, human resources, marketing, etc.). The start-ups have been able to raise over EUR 21 million in one year.

In **Belgium**, support for entrepreneurs was improved through the opening, in Gand in September 2016, of the Co. Station, an accelerator which supports start-ups and companies in the growth phase.

### Crowdfunding

Crowdfunding involves using internet platforms to connect project leaders seeking capital with individuals wishing to donate, lend or invest money. The Group was involved in its launch in 2016 by providing training to project leaders and by forging new partnerships. This is the case in **France**, where, after its partnership with Ulule (which collects donations), Retail Banking made waves by launching a crowdlending (collecting loans) offer on Hello bank! in partnership with credit.fr. This new programme invites Hello bank! customers to choose the projects they want to finance. If the total funds target is reached, the funds are blocked and financing can begin.

# 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

### A Code of conduct fully redesigned in 2016

In May 2016, the Group published and distributed its new code of conduct to all of its employees. In the preamble to this code, the Chairman and Chief Executive Officer of BNP Paribas declared:

"the Board of Directors and the Executive Management of the bank share the same conviction. The success of BNP Paribas depends on the behaviour of each one of us.

Together, we are determined that BNP Paribas must use its professional competence and integrity to secure its future.

We need to benefit from the commitment of all Group employees and earn the trust of our partners, clients, shareholders, and managers in the countries in which the bank operates and civil society representatives.

To do this, it is of course necessary to strictly enforce all laws and regulations. However, we must go further by ensuring that each decision is taken with the most profound ethical consideration. This starts with the ability to learn from past mistakes [...]

The code of conduct guides our actions and decisions. There cannot be a specific rule for every situation. The Code must therefore be sufficiently embedded and embraced by each employee so that its spirit is respected whenever an employee has to use their judgement [...]".

The code of conduct is accessible to all:

https://group.bnpparibas/uploads/file/codeofconduct_va_10_05_2016.pdf

Obligatory online training was delivered on the code of conduct, which, as at 31 December 2016, 96.3% of the 189,615 employees concerned had taken.

### The Ethics Committee

The Ethics Committee, whose creation had been announced in July 2014, met 2 times in 2015 and 3 times in 2016.

Chaired by Jean-Marie Guéhenno, Chairman of the International Crisis Group, 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 2016, the Ethics Committee contributed to the Group's strategic reflection and gave opinions on the operational implementation of the code of conduct. Detailed presentations were made to it on the various initiatives taken by the Group, as regards protection of client interests, guidelines on doing business with private offshore investment companies and responsible relationships with public authorities. Finally, the members of the Ethics Committee gave their opinion on the Group's environmental and social policies aimed at limiting financing and investments in sensitive industries, particularly the tobacco industry.

### The whistleblowing system

BNP Paribas has very high standards for the compliance of its operations. To give it the resources to implement this, each employee is accountable: they must constantly ensure that everything they do complies with the law, regulations and principles of the code of conduct for BNP Paribas Group employees. Employees also have 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 Group's 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 even more effectively 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 the area of Know Your Customer (KYC), the Compliance Team monitors the review of loans across all of the Group's business lines, and is overhauling the due diligence, risk assessment and decision-making principles, resulting in a new set of policies, most of which appeared in 2016 (an overall policy, and specific policies for each of the sixteen client segments).

The fight against money laundering, in particular through the procedures and controls put into place to know its clients and their use of the Group's products and services (*see Systematic integration and management of Environmental, Social and Governance risks,* Commitment 3), aims to ensure that client transactions are free from any form of corruption.

In the same way, BNP Paribas does not tolerate corruption among its employees, and each employee must respect the Group's policy on gifts and hospitality.

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These "Anti-corruption", "Anti-money laundering and financing of terrorism (AML/FT)" and "Know Your Customer" policies apply to the whole Group and can be accessed on the intranet. Their main reference is the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (and other related OECD conventions). They also take into account the laws of the United Kingdom and the United States, respectively the UK Bribery Act and the US Foreign Corrupt Practices Act.

They are being updated to take account of the new Sapin Law in France.

### Training

As at 31 December 2016, 95.9% of the 191,643 employees concerned had taken online training on international sanctions and embargoes, and 91.2% of the 191,648 employees concerned received anti-money laundering and financing of terrorism training. 86.7% of the 81,999 employees concerned took online "Know Your Customer" (KYC) training.

### The location of the Group's offices is driven, not by tax considerations, but in the interest of serving customers around the world

BNP Paribas is one of the largest taxpayers in France. Taxes and duties paid by the Group in France amounted to EUR 2.4 billion in 2016. An amount of EUR 1.4 billion are taxes which apply specifically to the banking sector.

From the corporate tax perspective only, the amount of taxes paid globally by BNP Paribas corresponds to 28.8% of its earnings. The location of the Group's offices is driven not by tax considerations, but in the interest of serving customers around the world.

In any event, BNP Paribas is careful not to set up offices in jurisdictions that do not provide effective administrative assistance in tax matters to other states or territories, and that could therefore be considered "tax havens" by international bodies or national authorities. In this regard, the Group refers to the list of Non-Cooperative States and Territories (NCST) produced by France and the work of the OECD's Global Forum in terms of tax transparency.

The presence of entities controlled by BNP Paribas in two jurisdictions considered as insufficiently cooperative by France requires the following clarifications: in Brunei, the local entity is limited to managing the assets of the Central Bank of Brunei, the sovereign fund and institutional clients and, in Botswana, the Group controls, following to an acquisition in South Africa, an entity specialising in consumer credit.

In Panama, the liquidation of the BNP Paribas branch, which began in 2010, is still pending the final approval of the local regulator. (See 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. BNP Paribas does not only want its teams to abide by all applicable laws and regulations but also wants to develop a culture of ethics and responsibility. Within BNP Paribas, protecting clients' interests is mainly based on the code of conduct, the overall "Clients' interests Protection" policy and the Group policy for processing client complaints.

### A general, Group-wide policy

To earn the trust of its clients, BNP Paribas keeps strengthening the protection of their interests, while at the same time respecting all current laws and regulations. The Global "Clients' Interests Protection" Policy (CIP), called "Selling Well", is a key part of the system. Its correct application is constantly checked by the internal Audit and Compliance Teams. 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 general principles of the CIP are:

- to act in an honest, transparent, fair and professional manner: define the client's profile, provide him or her with appropriate information, ensure that the product is the most suitable to his or her needs;
- to guarantee the primacy of the clients' interest: set a reasonable and transparent remuneration for products and services, define a reward system for employees in order to prevent conflict of interests risks.

The commitments are translated into concrete practices deployed in all Group entities, depending on their specific characteristics:

- **The new product approval procedures** incorporate all the compliance issues relating to the protection of clients' interests. Committees set up by the Permanent Control Department examine in particular the information and services provided to clients. Local CIP employees approve, amongst other things, the definition of new products or the documents issued to clients;
- The structure **of the commercial teams' remuneration**, on which many European and local regulations have been issued in the last few years, also requires approval by local CIP employees.
  - In France, the remuneration of the commercial teams has evolved since 2013. The new system, which came into force in 2016 as part of the Client Preference Programme combines three types of criteria related to the quality of the client relationship, business development and adherence to the Compliance and Risk policies. In this context, the French Retail Banking, Human Resources and Compliance have worked together on a new variable compensation policy (limited to 20% of overall compensation) in order to protect the interests of customers during the sales process.

- In Belgium, variable remuneration accounts for only 5 to 10% of total remuneration of sales teams; as in France, it is based on both qualitative and measurable, individual and collective components. Client satisfaction measured at branch level is an important criterion of this. Compliance criteria set a bonus access threshold (no yearly bonus in the event of compliance problems).
- The Group aspires to be exemplary in the **protection of clients**' data (see *BNP Paribas is committed to respecting human rights*, Commitment 8).
- **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 on a large scale** and receive training on clients' interests:
  - In the French Retail Banking network, special "Business Compliance" meetings are organised by the managers every quarter on a key issue related to Compliance, such as, for example: "The right to a bank account and assistance to clients at risk";
  - In Spain, BNP Paribas Personal Finance launched the "Dilo!" programme, to encourage Cetelem teams to come up with ideas to improve client satisfaction;
  - At the Group level, expert seminars for Compliance employees concerned by CIP are offered in all entities, and awareness campaigns are conducted for the management entities & business lines (the "CIP days").

## Transparency of the offer

Helping to protect clients' interests, their understanding of banking products and 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 continued the "**Easy Banking**" programme. Financial information sessions for customers and prospects, delivered by employees or partners, were a resounding success once again in 2016: over 500 sessions, most of them on how to manage your budget and bank account, were attended by over 15,000 people.
- **BNP Paribas Cardif**, the Group's insurance subsidiary, launched a major drive to **simplify contracts**. These documents are being written in language accessible to the B1 level, according to the common European reference framework for languages. Simple language, common words and short sentences are the criteria for clear, intelligible communication, to make it easy for customers. This initiative goes hand in hand with a more illustrative and pedagogical approach. Since 2015, all countries in which Cardif operates were involved in this initiative: in 2016, 25% of countries were already using this more accessible language. This simplification still needs to be applied to brochures, after-sale documents, etc.
- In California, **Bank of the West** appointed "Digital Engagement Specialists" in each branch and Contact Center. They explain to clients how to use digital and mobile platforms for any transaction, and do online banking with them. The aim is to increase **digital accessibility** for all clients.
- **Cetelem's Revolving Credit offering** saw its "responsible" certification renewed in early 2017 by Vigeo Eiris, a European extra-financial audit firm. Vigeo Eiris analysed its responsible characterstics: transparency of information, advice during the selling and granting of loans, checking client solvency, protection of client interests throughout the lifetime of the contract and consideration of the societal impact of consumer credit.
- In France, **Hello factory** (www.hellobank.fr/fr/hello-factory), **a programme to jointly shape future banking** was extended since its launch at the end of 2014. Dedicated to innovation, it encourages interaction between its customers and Hello bank!, the digital bank. Other business lines are also not hesitating to call upon their customers to co-create products, or to review their services: **BNP Paribas Personal Finance** in Brazil asked its clients to suggest improvements to the current sale process.

## Monitoring customer satisfaction

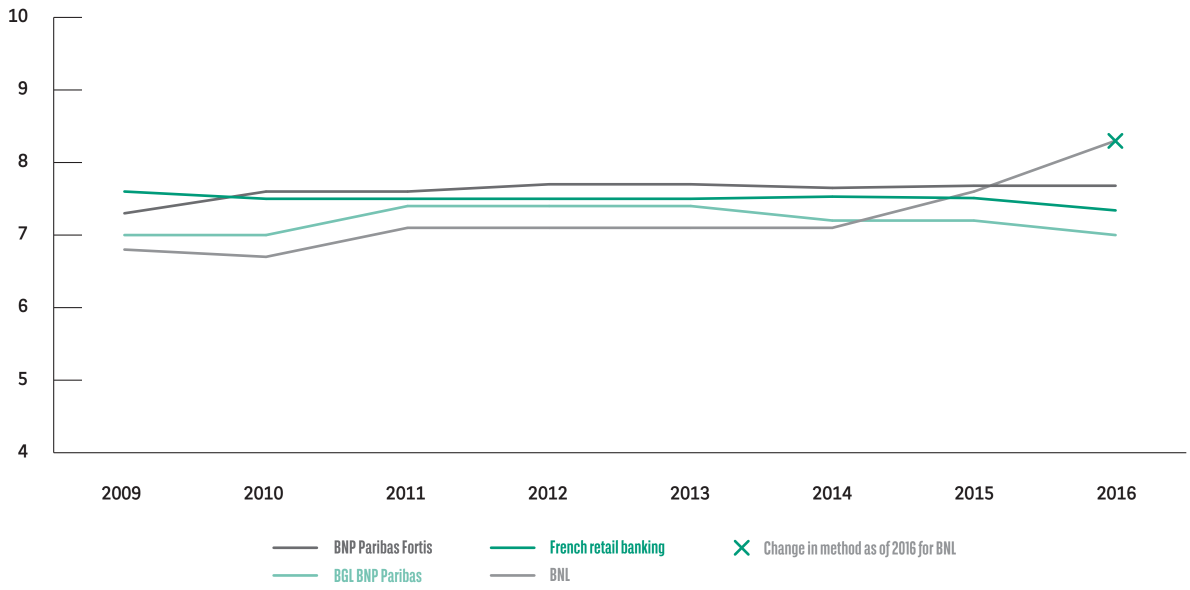
Customer satisfaction is crucial for adapting the offer of products and services to demand, in order to **always serve their interests as best as possible.** This is why most BNP Paribas business lines monitor customer satisfaction systematically, paying particular attention to how complaints are handled and improving the identification of client dissatisfaction on social networks. Listening to client complaints and responding quickly and properly is a priority, affirmed in the Group's Quality Policy. This management of dissatisfaction is considered not only as a **way of improving** the client relationship; it is also **key to building trust and loyalty**.

The "Group policy for handling client complaints" aims for efficient complaints handling, in line with three objectives:

- to set the Brand apart using client relationship performance;
- operational efficiency by implementing steps to manage client complaints which transform complaints into real opportunities for the Group to improve its client relationships;
- to improve the fit between the service levels expected by clients and the actual service provided.

Customer satisfaction remained **stable in the Group's four domestic markets** in 2016. The improvement in BNL's score, which started in 2014, continued to improve thanks to better service quality in the various channels (branch, online banking and mobile banking). It should be noted that BNL initiated a change in methodology in 2015, effective in 2016, and whose consistent results (82/100 in 2015 compared to 83/100 in 2016) confirm that customer satisfaction is stable in this market.

### OVERALL SATISFACTION SCORES OF INDIVIDUAL CUSTOMERS(*) (ON A SCALE FROM 0 TO 10)




(*) *Customers who indicated that the Bank was their primary bank.*

An increasing number of retail banks in the Group also measure their customer satisfaction rates, notably:

- in 2016, the **Moroccan Bank for Trade and Industry** (BMCI) had a satisfaction rate of 7.4/10 (versus 7.5/10 in 2015). 2016 saw the successful renewal of the ISO 9001 V2008 certification of the International Business activity (document operations, international transfers, international guarantees received and finance in foreign exchange) and Electronic Money activity (card management and cash machines). BMCI regularly conducts satisfaction surveys on its individual clients and businesses. The bank also conducts **mystery visits** in its various points of sale to monitor employee compliance with quality standards and customer satisfaction. The results of these surveys show that quality is stable in terms of both organisation and service.
- In 2016, BICICI in **Ivory Coast**, BICIAB in **Burkina Faso** and BICIGUI in **Guinea**, implemented corrective improvement action plans following client satisfaction surveys in 2015 (6.7/10 for the first two and 7.5/10 for the BICIGUI). The next surveys will take place in 2017.

## 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.

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. This feedback is taken into account in the development of new products or in the improvement of the Company's processes.

- In **France**, BNP Paribas has chosen to make client complaints handling a separate business line with dedicated teams and tools, as well as specific training and management. About one hundred employees work in this business line. Most of the teams are decentralised in the branch groups and receive support from regional management and central teams. These are responsible for the most complex and sensitive cases, organising audits on the quality of responses and leading the continued improvement process (discussion with the branch network, proposal of changes to processes, client information, training of sales teams, etc.). Since 2015, a satisfaction survey of customers who had made a complaint has supplemented this mechanism.
- BNP Paribas Fortis in **Belgium** has just completed a process to improve its Complaints Handling Department: one of its aims is to speed up complaints handling and "put the client at the centre" of the teams' concerns. Moreover, new tools, which make use of artificial intelligence, are being tested to make complaints handling even faster.
- To increase customer satisfaction and improve relationships with clients, BNP Paribas has rolled out in its International Retail Banking entities in the Africa region **a new complaints handling tool**, which complies with the recommendations of the Prudential and Resolution Control Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR). This enables each complaint received to be recorded and monitored, handled, filed and traced. It is now used in Morocco, Algeria, Ivory Coast, Mali and Senegal, and is being implemented in Burkina Faso. It is expected to be launched in 2017 in Tunisia and Guinea.

If necessary, the **banking ombudsman** is an additional channel of recourse to clients.

Many Group entities, such as BNP Paribas Personal Finance, Retail Banking networks in France, Belgium, Italy, Morocco, Tunisia, Senegal, Poland and Turkey or the Insurance division (BNP Paribas Cardif) 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 access the national mediation service organised by the regulatory bodies.

### The Net Promoter Score (NPS)

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. Two examples illustrate it:

- **Poland**: in 2016, BGZ BNP Paribas conducted satisfaction and loyalty surveys on its individual, Corporate and Private Banking clients, to identify the strengths and weaknesses of its products and services. The Net Promoter Score for individuals and businesses was above average for the banking sector as a whole; the skills and involvement of the Bank's employees being particularly highly rated.
- **Ukraine**: UkrSibbank carried out satisfaction surveys on its customers who had purchased a product, visited a branch, closed an account or been refused an advance. Its NPS continued to improve, reaching 60 in 2016 (compared with 57 in 2015 and 49 in 2014).

In 2017, the NPS will be extended to the four BNP Paribas domestic markets: the French Retail Banking, BNL Banca Commerciale in Italy, BNP Paribas Fortis in Belgium and BGL BNP Paribas in Luxembourg.

Other Group entities use the NPS, particularly:

- **BNP Paribas Leasing Solutions** has a "net recommendation rate" which significantly increased in 2016 among clients of its technological solutions financing business line: it reached 30 in 2016 whereas it stood at 17 in 2014. Likewise, the overall client satisfaction rate across all countries was an average of 7.8 (+0.4 compared with 2014) on a scale of 1 to 10.
- **BNP Paribas Personal Finance** in 2016 was able to maintain good satisfaction rates overall, even very good in some countries. Recommendation levels are also high.

## ETHICS AT THE HEART OF SUPPLIER RELATIONS

**Group purchases** amount to EUR 10 billion in expenditures globally. BNP Paribas must therefore develop equitable relations with its suppliers, in line with its commitments.

Within the Group Purchasing Division, **a structure dedicated to responsible purchasing** covers the various CSR issues for the purchasing channel worldwide. A network of 60 specialists in Responsible Purchasing has been created within the channel to implement the Responsible Purchasing approach.

The Group has defined three key principles which guide its purchases: fairness and transparency in selecting suppliers, pursuit of the best cost/quality/risk ratio and the pursuit of innovative solutions. As a French signatory of the Charter of Responsible Supplier Relations developed by the French Ministry of Economic and Financial Affairs' Inter-Business Mediation body, the Group has adopted the procedures and tools necessary to comply with regulations and standards, and ensure traceability in the supplier selection process and information confidentiality. The Purchasing channel monitors the risks of mutual dependence with suppliers, and offers an appeal process via an internal mediator who is independent from the Purchasing Function in case of problems (*see Fostering dialogue with stakeholders, Our Corporate Social Responsability strategy*).

### Particular attention to SMEs

The Group deploys specific **initiatives to support SMEs**. In France for example, as part of the partnership between BDDF Entreprises and PME Pacte association, Group Purchasing has worked on an action plan to support high-performing and innovative SMEs or medium-sized enterprises. In 2016, these initiatives were rewarded by the "Pacte PME" association (see *Supporting SMEs and boosting employment*, Commitment 1) of which the Group has been a member since mid-2012, as well as 56 other large private and public accounts to date.

An **information session with SME suppliers** was held in November 2016 to share with them the Group's action plans and the results of a satisfaction survey conducted by Pacte PME on a panel of the Group's SME suppliers.

### Training for buyers

As at mid-December 2016, 87% of employees in the Group's Purchasing team had undertaken online anti-corruption training. In addition, in 2016, 58% of employees in the Purchasing team undertook training on human rights in supply chains.



# COMMITMENT 3: SYSTEMATIC INTEGRATION AND MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

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.

This framework, implemented since 2010, was further improved in 2016. Since 2012, 21,310 employees received online training on at least one of the Group's financing and investment policies.

## FINANCE AND INVESTMENT POLICIES GOVERNING THE GROUP'S ACTIVITY IN SECTORS WITH SIGNIFICANT ESG ISSUES

### Inclusion of ESG risks in information feedback to regulators

Regulators ask financial institutions to disclose information on the management of their extra-financial risks in an increasingly precise and regular manner. The ACPR(1) expects them to define their risk "appetite", i.e. the level and type of risks they are willing to take in the conduct of their business and meeting their obligations. The ECB(2) has made the review of this risk appetite one of its priorities in 2016.

To meet this requirement, BNP Paribas has for the first time included ESG risks in its risk evaluation process defined in reference to the Group strategy: the "Risk Appetite Framework". It incorporated environmental criteria, via energy transition financing, and the protection of human rights. All auditing policies, processes and systems thus include indicators such as the share of corporate loans subject to an environmental and social risk management system which is specific to the sector of activity concerned and the amount of financing for renewable energies.

This framework has a so-called "early warning" threshold as well as limits which reflect the maximum risk level the Bank is willing to take for each risk identified.

### BNP Paribas strengthens its carbon risk management

In order to curb the trend of $CO_2$ emissions by 2020, with the aim of restricting climate warming to less than 2 degrees Celsius**, BNP Paribas has decided to no longer finance coal mining**, whether in the form of mining projects or mining companies specialising in coal extraction who do not have a diversification strategy.

BNP Paribas has recently decided to further strengthen its policy and **no longer finances any coal-fired electricity generating project**, regardless of the country in question. Moreover, BNP Paribas only finances companies that have a strategy to reduce the amount of coal used in their production which is at least as ambitious as the strategy of their country.

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.

BNP Paribas has also decided to factor climate change considerations related to energy transition into its rating methodology for the projects and companies which it finances: **the use of an internal carbon price will be gradually systematised** in order to account for changes brought about by energy transition and the related risks in its financing decisions.

In 2016, a methodology was developed, based on a carbon price assumption of between 25 and 40 dollars per tonne of equivalent $CO_2$. Covering the six industrial sectors which generate the most emissions, the first tests were conducted in two of these sectors, oil and transport.

Within the measurement framework of its indirect emissions (scope 3), BNP Paribas has been communicating the breakdown of the energy and electricity mixes financed by the Group since 2014 and is committed to ensuring that they evolve in line with the 2° C scenario of the International Energy Agency (IEA). In 2016, BNP Paribas also wanted to shed light on its financing of the aviation sector. This information will be published every year, taking into account regulatory changes.

#### The electricity and energy mixes ranking better than the world mix

In 2016, as it has done since 2014, in order to measure its indirect emissions (scope 3), the Group calculated the electricity mix it finances, based on the production mix of its electricity-generating customers.

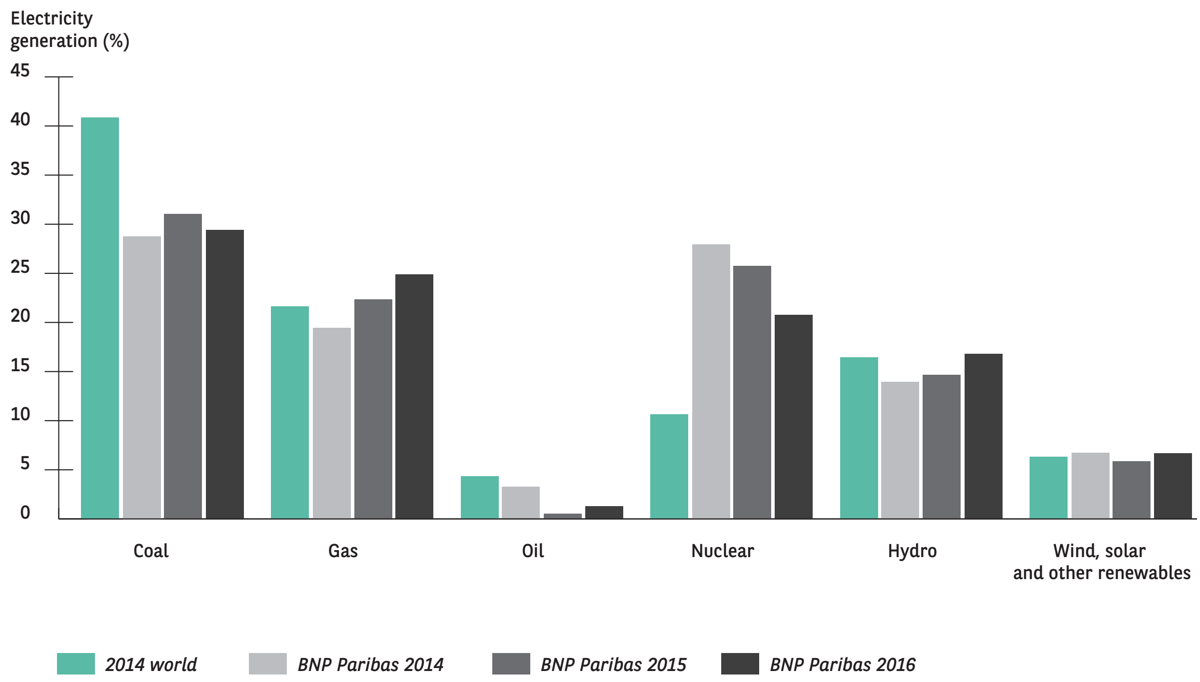
With 55.7% fossil sources (gas, coal and oil) and 23.5% renewable sources (hydro, photovoltaic and wind), the electricity mix financed by BNP Paribas has a lower average carbon footprint than that of the world mix, which consisted of 66.7% fossil sources and 22.6% renewable sources in 2013 according to the International Energy Agency (IEA). The kWh carbon content financed by the Group is 395 g of $CO_2$, compared with the world average of 515 in 2014 (Source: IEA).

In line with the Paris Agreement, BNP Paribas undertakes to ensure that the carbon content of a kWh financed by it will from now on reduce as quickly as the worldwide average in the IEA's 450 scenario (i.e. 85% between 2014 and 2040).

*(1) Autorité de contrôle prudentiel et de résolution, French supervisory body for the banking and insurance industries.*

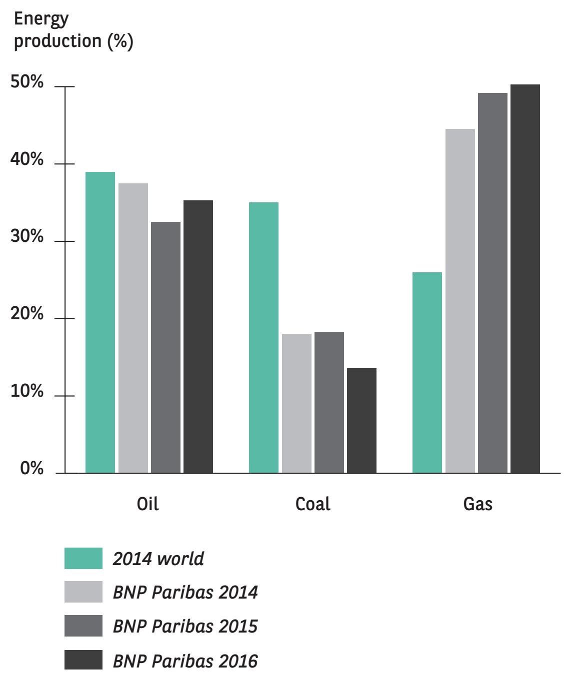
*(2) European Central Bank.*

## BNP PARIBAS' ELECTRICITY MIX COMPARED TO THE GLOBAL MIX




Moreover, the same calculation was made on the energy resources (coal, oil and gas) produced by the extracting companies financed by the Group. Here again, the energy mix financed ranks ahead of the world average, with less coal/oil and more gas (source: IEA).

## BNP PARIBAS' PRIMARY ENERGY MIX COMPARED TO THE GLOBAL MIX




### The plane fleet financed by the Group generating fewer emissions than the global fleet

BNP Paribas supports the aviation industry mainly through the financing of airplanes, with airlines or airplane leasing companies. End 2016, the average emission per passenger.km of the airplanes financed by the Group was 100 $gCO_2$/passenger.km (Source: Airline Monitor data weighted by our outstanding volumes). In comparison, the world fleet as a whole has an average ratio of 116 $gCO_2$/passenger.km (source: International Air Transport Assocation).

### 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.

The Group has also adopted measures so that its financial instruments do not contribute to the destabilisation of the agricultural commodities market.

### Measures to combat deforestation

In signing the Soft Commodities Compact in 2014, BNP Paribas committed to working actively with the companies in the "Consumer Goods Forum" to help them achieve net zero deforestation in their supply chain by 2020.

This measure, along with the Group's commitments with regard to the fight against deforestation in its financing and investment sector policies, enabled it to be acknowledged as one of the leading financial institutions by The Global Canopy Program, an international forest protection NGO.

### Defence, a particularly sensitive sector

The Group's policy in this sector strictly excludes certain types of weaponry (controversial arms) and certain geographical areas (areas affected by armed conflict or violation of children's rights). Published in 2010, this policy was updated in 2012, in particular to take better account of issues related to small arms.

THEAM, a BNP Paribas subsidiary specialising in index of management, was the first player in the indexed management industry to adopt, in 2013, the MSCI ex-Controversial Weapons indexes as a benchmark index for a range of open funds. In July 2016, THEAM again strengthened its indexed fund and ETF (Exchange Traded Funds, quoted funds) offering, with the launch of a range of 10 ETFs, providing exposure to the equity markets of the main geographical areas, while excluding controversial weapons.

In 2016, the Group continued its dialogue with the companies indentified by specialised internationally recognised research service providers as being potentially involved in controversial weapons. During the course of the year, one of them formally confirmed to BNP Paribas the end of these activities as well as the elimination of all stocks of controversial weapons it held.

## UPHOLDING THE EQUATOR PRINCIPLES ON PROJECT FINANCING

As a financial service provider and advisor, BNP Paribas works in partnership with its customers to identify, assess and manage their risks and their environmental or social impact linked with major industrial and infrastructure projects. It is guided in this process by the Equator Principles which it signed along with 88 financial institutions from across the world. According to these principles, designed to develop projects in a responsible manner, their negative impacts on communities, ecosystems or the climate must be avoided or minimised, mitigated and/or offset. Projects graded A present significant risks, where the implementation of mitigation measures and corrective actions is necessary; those graded B present more limited risks; those graded C present minimal or no risks.

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| Number of transactions concerned in the year | 30 | 13 | 21 | 26 | 17 | 23 |
| Number of grade A transactions in the year | 5 | 2 | 3 | 6 | 1 | 2 |
| Number of grade B transactions in the year | 20 | 10 | 13 | 18 | 15 | 21 |
| Number of grade C transactions in the year | 5 | 1 | 5 | 2 | 1 | 0 |

This year, BNP Paribas has participated in the financing of 4 renewable energy projects, the installation of wind farms representing an electricity capacity of 1,457MW.

BNP Paribas is continuing its awareness and training campaign and 489 people have taken an online training module, developed and made available to all of the BNP Paribas employees concerned by the application of the Equator Principles.

BNP Paribas also applies the Equator Principles to some "export" financing, i.e. covered by Export Credit Agencies, following the broadening of their scope of application in 2014.

In order to optimally manage the risks related to large infrastructure projects, BNP Paribas will strengthen the role played by independent experts, particularly in the areas of the environment and the consultation with communities who are potentially affected by these projects.

## A COMPREHENSIVE SYSTEM OF ESG RISK ASSESSMENT OF THE PRODUCTS AND SERVICES PROVIDED BY THE GROUP

### Integration of ESG criteria into lending and rating policies

In addition to the Environmental, Social and Governance criteria (ESG) applicable to their own activities, the credit analysis for corporate customers includes the management of ESG risks affecting their main suppliers and sub-contractors.

Started in 2012, the work required to integrate the ESG criteria into specific rating and loans policies has continued: end 2016, 17 policies had integrated ESG criteria and one was undergoing validation.

### The assessment of ESG risks for large corporate customers

The ESG risks of large corporate customers belonging to sectors not covered by sector policies are also analysed by using a dedicated tool, the "CSR[1] Screening", from the Corporate and Institutional Banking Division, deployed in the majority of regions. In 2016, customer managers, risk managers and line managers were trained and approximately 620 customers could be assessed based on in-depth questionnaires designed for ten sectors: consumer goods, capital goods, energy and electricity, oil, gas and chemical products, ICT, health, transport, automotive, construction & construction materials and the metalworking industry. In total, around twenty risks are assessed to reflect the challenges related to pollution and to the protection of natural resources, security and working conditions, the impact on communities, ethics and corruption.

*(1) Corporate social responsibility.*

### Integrating ESG criteria into savings products

With the double objective of managing risk and investing responsibly, BNP Paribas Investment Partners, the Group's dedicated asset management business line, applies ESG criteria to all its collective investment funds. These criteria are analysed, as a complement to financial analysis, according to a formal framework based on the UN Global Compact's ten principles in the areas of human rights, labour, protection of the environment and the fight against corruption. In accordance with the sector policies of BNP Paribas Investment Partners, these principles are complemented by rules for investing in sensitive sectors or products. This approach leads to the initiation of a dialogue with the companies identified as not compliant with these commitments. If there is a lack of transparency or cooperation, BNP Paribas Investment Partners may abstain from approving the financial statements, or even exclude the companies from its investments.

The strategy of BNP Paribas Investment Partners aims to align its investments with the overall objective of limiting global warming to below 2°C. Hence where carbon risk can be measured and managed, this risk will be reduced. To this end, BNP Paribas Investment Partners:

- published the carbon footprint of almost 100 funds invested in shares at end 2016, compared with 26 in 2015, in accordance with its commitment (signature of the Montreal Carbon Pledge PRIs in May 2015);
- defined a "no carbon" investment policy, and joined the Portfolio Decarbonization Coalition. This initiative, supported by the United Nations Environment Organization (UNEP), encourages financial companies to reduce the greenhouse gas emissions linked to their investments. BNP Paribas managed EUR 25 billion in decarbonized assets as at 31 December 2016.

Moreover, to ensure that the companies in which the Group invests take into account the ESG constraints, BNP Paribas Investment Partners has always exercised its voting rights as a shareholder, voting in 2016 in over 1,500 Annual General Meetings out of almost 18,800 resolutions. It abstained from or opposed around 17.6% of these resolutions. As part of its climate change strategy, its voting policy has been adapted: BNP Paribas Investment Partners reserves the right to abstain from approving financial statements if the Company fails to communicate sufficiently concerning its $CO_2$ emissions. Conversely, all resolutions (proposed by the Company or a shareholder) in line with its climate change policy will be supported.

In 2016, this expertise in responsible investing and the deployment of ESG integration in its management processes was recognised by the PRI ranking (Principles for Responsible Investment). BNP Paribas Investment Partners was given the "A+" score, which is the highest rating.

**BNP Paribas Cardif,** the Group's insurance business line, continued its efforts, adopted in 2008, to integrate ESG criteria in the selection of investments for its general euro fund (EUR 108 billion as of 31 December 2016).

ESG criteria are systematically taken into account in the investment or divestment decisions of BNP Paribas Cardif, and are an integral part of the management process. The ESG performance of the portfolio is managed on a quarterly basis and is reviewed by the Asset Management Committee once a year. In 2016, 56% of the General Fund's assets were screened through an ESG filter, compared to around 50% at the end of 2015.

### Integration of ESG criteria into supply chain management

BNP Paribas pays special attention to the extra-financial issues of suppliers when analysing tender offers, in accordance with the BNP Paribas Suppliers' CSR Charter. In 2016, 1,639 supplier ESG assessments were conducted by the Procurement teams in the Group, during calls for tenders.

Several calls for tenders launched by the Group Procurement, including those concerning laptops and mobile phones or the company car fleet, have integrated CSR criteria in the environmental issues specific to these categories. CSR assessments conducted by third-party organisations were also undertaken for certain calls for tenders.

Moreover, some entities include environmental and social clauses in the contracts signed by the Procurement teams. Lastly, within the scope of International Retail Banking, the CSR Charter must be signed when entering into a business relationship.

In 2016, the Procurement Function continued its work to improve the monitoring of supplier risk, as part of the KYS (Know Your Supplier) project launched in late 2014. A revised version of the CSR questionnaires included in the tendering process is planned, following the pilot conducted in 2016. Its goal is to facilitate the process of assessing suppliers by entities lacking specific CSR expertise and include questions consistent with new regulations (e.g. Modern Slavery Act in the United Kingdom, Sapin II Law).

## MANAGEMENT AND MONITORING TOOLS FOR ESG RISKS

### Monitoring and exclusion lists

To identify companies that do not meet the Group's requirements in terms of environmental protection or those whose activities have negative social impacts, the Group applies its financing and investment policies as well as the exclusion list of certain goods. These lists are periodically reviewed to include the key controversies involving companies faced with serious violations of environmental standards or Human Rights.

The companies with which the Group no longer wishes to have a commercial relationship are added to the exclusion list, those with which the Group does not wish to carry out certain transactions are added to the monitoring list. At the end of 2016, these lists comprised 297 companies: 212 excluded companies and 85 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.

#### Transactions handled by CSR teams

In 2016, the Group's CSR teams assessed the environmental, social and governance risks of 1,109 transactions (financing, related entries, export guidance, etc.) compared with 658 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' subject to an environmental and social management system which is specific to the concerned activity. In 2016, this share stood at 28% compared with 25% in 2015, the reference year for this key CSR performance indicator of the Group.

#### 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. After defining the controls to be carried out, the first periodic controls took place in 2016 and the plan will be generalized starting in the first quarter of 2017. It will ascertain that the operational measures put into place at every level are adequate, and will initiate a continuous improvement dynamic, necessary for the proper management of ESG risks.

# 7.3 Social responsibility: developing and engaging our people responsibly

Our social responsibility rests on three principles: promoting diversity and inclusion in the workplace; ensuring it is a "good place to work" and responsible employment management and being a learning company supporting dynamic career management. The goal of these three proactive and ambitious purposes together is to develop and engage our employees responsibly:

- commitment 4: promoting diversity and inclusion;
- commitment 5: "Good place to work" and responsible employment management;
- commitment 6: a learning company offering dynamic career management.

## THE 2020 STRATEGY

The 2020 HR Strategy reflects the Group's development objectives set on the principles of social responsibility embraced by BNP Paribas. It aims at providing each employee with a career plan sharing the same requirement level as the one granted to the Bank's customers.

Based on a better understanding of the employees, their skills and objectives, BNP Paribas endeavours to provide them with experiences, training programmes, and development that are more personalised and better suited to the Company's requirements. To speed up skills development in a more innovative fashion, the Group launched a Digital School as well as internal or external partnerships, which may lead to more open and varied careers. Employment and skills management planning identifies current employee skills and those that will be needed within a few years in order to better adapt their training and development can be better adapted (commitment 6).

To achieve this, the main HR processes (recruitment, assessment, mobility) are changed and digitalised.

BNP Paribas also wishes to support its employees in new working methods which favour collaboration, agility and cross-functionality within the Company. At the same time, working environments are also increasingly becoming more flexible.

These changes will only be possible thanks to the development of "positive" management which is based on each person's strengths, favouring "test & learn" and valuing success. The development of immediate feedback will reinforce a climate of trust with respect and inclusion (commitments 4 and 5).

To be a responsible employer also means implementing this strategy by taking into account all the necessary demands in terms of security, data protection and respect of the legal framework.

## "LEADERSHIP FOR CHANGE"

The "Leadership for Change" (LfC) initiative was launched to support the Group in its transformation process. Its main objective is to lead the 500 members of the Group's cross-functional executive committees[(1)] to work together on "Our shared Convictions: our mission and our values".

*(1) Business/multicountry functions or country/region multibusiness/functions.*

In 2016, the LfCs 500 undertook their work in sub-groups on seven transformation topics identified during the LfC process, including cross-selling, innovation and a strategy to identify and promote talent. By experimenting with the Design Thinking methodology, cross-functional projects emerged, and tend to be long-lasting thus continuing the Group's transformation.

The Leadership for Change initiative also aims to continue promoting the feedback culture in the Group, with a common tool which integrates historic data (LfC 180 degree feedback tool), and developing collective leadership to carry out the transformation.

The next meeting of the LfC 500 will take place in March 2017, with main objectives as to motivate and unite this community around the 2020 Strategy, the Group's mission and values. It will also be about involving managers in the transformation, strengthening collective leadership, also providing a context and inspiring the participants, and helping them to prepare their teams to own the values to ensure greater commitment.

### LISTENING TO EMPLOYEES THROUGH THE GLOBAL PEOPLE SURVEY (GPS)

The rate of participation in the Group's commitment survey remains at a high level (72%, up 1 point since 2015 and up 20 points increase compared with 2010): 130,577 employees in 74 countries expressed their opinion in 22 languages in particular via 141,995 comments collected through four open questions, one of which was dedicated to customer focus.

Pride in being part of the Company remains at a high level over time: 83% (stable), as well as sharing the Group's objectives (69%) and values (81%, up 1 point). The feeling that management communicates clearly about future plans remains stable at the high level of 70%. The need to significantly strengthen ethics and compliance on a daily basis is supported by 89% of respondents (new question in 2016).

Deploying digital solutions as a mean to help performance has increased: 63% (up by 2 points). The feeling that business lines are constantly endeavouring to enhance the way they provide their customers with better service quality stands at 75% (new question in 2016), the same as innovative customer service which is increasingly encouraged: 70% (up by 3 points), regardless of how products and services are challenged.

The CSR policy remains a major advantage for the Group with a notable increase concerning the honesty and integrity of the Group in its external relationships with customers and suppliers at 76% (increase by 3 points).

To monitor proper implementation of the commiments undertaken, in particular with respect to the three areas with specific objectives, Group Human Resources compiles a social report, in which, like in 2015, entities from 67 countries participated, representing 95% of Full-Time Equivalent staff (FTEs) managed by the Group at 31 December 2016.

## COMMITMENT 4: PROMOTION OF DIVERSITY AND INCLUSION IN THE WORKPLACE

**By putting "Good place to work" and "openness" at the heart of its values, the Group seeks to guarantee respect and conviviality between the teams, encourage personal development while highlighting respect for differences. Promoting diversity and inclusion in the workplace intensify with the actions implemented across the Group.**

### A SOLID FRAMEWORK AND VISIBLE COMMITMENTS

#### Diversity and inclusion governance

The Group Diversity Committee, comprised of 34 pairs of business line/function representatives and human resources, continues to meet twice a year. Diversity Committees also exist in the different business lines/countries (APAC, FRB, BNL, BNP Paribas BGL, BNP Paribas Fortis, CIB, IRB, New York, UK, etc.). In 49 countries, entities representing 86% of employees, developed the Group diversity and inclusion policy at a local level and, in 40 countries, introduced an alert procedure covering 67% of employees.

#### Strengthening undertakings and renewing agreements

Chapter 5 of the code of conduct, relating to respecting colleagues, covers the application of the most rigorous standards with regard to workplace conduct as well as the rejection of all forms of discrimination, intimidation or sexual harassment. An e-learning module concerning the code of conduct, mandatory for all Group personnel, raises awareness, in particular, with examples of sexist and racist comments.

The year was marked by the signing of the First Diversity Charter for the African continent, in June by the BMCI in Morocco, then in October by the BICIS in Senegal.

BNP Paribas in Portugal also signed the Diversity Charter at the time of the local Diversity Week.

In France, the year was also marked by the renewal of BNP Paribas SA corporate agreements relating to diversity and the generations contract which reaffirmed the commitment to diversity and inclusion within the Company and the aim to guarantee every staff member equal treatment based on skills and performance.

The Executive Management renewed its commitment to signing the **WEPs**(1) started in 2011 at the United Nations and continued its deployment with the signature of the WEP commitment letter by BNP Paribas North America in December 2015. On the International Women's Day, BNP Paribas sponsored the event organised by the United Nations at Nasdaq. The United Nations "**HeForShe**" campaign, launched by J.L. Bonnafé for the Group in 2015, was successfully relayed in the United States and Asia.

*(1) WEP: Women Empowerment Principles.*

The Group's executives regularly intervene to promote our commitments, internally, with employees and externally with our stakeholders, in favour of diversity. The Chairman Jean Lemierre was interviewed during the Women's Forum in Deauville and the Asia-Pacific Region CEO, Eric Raynaud, made a speech during the Sustainable Future Forum in Singapore.

### Employee networks, key relays for the deployment of the diversity and inclusion policy.

The employee networks continue to grow with more than 10,000 people involved. They are key players in the evolution of to the Group's diversity and inclusion policy. They cover the following themes: professional equality (**Mixcity** now has 4,000 members in 19 networks worldwide, with the latest satellites created in China, Spain, Hungary and with the French network "**BDDF'Elles** by Mixcity"; **Happy Men**); minorities (**Afrinity, All Abroad** in France, **Friends of Africa** in Belgium, **Respect** in the United Kingdom, **Amerindiens** in Canada, **Hispanic**, **Asian** et **African Heritage** in the United States), sexual orientation (**Pride** in France, United Kingdom and at BNP Paribas CIB New York, **Outwest** at Bank of the West), generations or intergenerational (in Belgium and the United States), parenthood (**Parentality** in the United Kingdom), disability (**Ability** in the United Kingdom); veterans (**Vets** in the United States) or inter-religious (**Interfaith** in the United States).

Regular exchanges between networks and common events took place throughout the year. Thus, in France, the Afrinity and Mixcity employee networks invited employees to share ideas and opinions about women entrepreneurs. The presentations of women entrepreneurs were supported by interviews of Marie-Claire Capobianco (member of the Executive Committee) and Sofia Merlo (Wealth Management Co-Head). A day of presentations and debates was organised in London and brought together representatives of the Pride networks from France, Italy, Belgium, and the United States in particular.

## INNOVATIVE TRAINING AND AWARENESS TO REACH ALL AUDIENCES

### Training

In 36 countries, 73% of employees were offered an opportunity to benefit from training and awareness actions dealing with combating discrimination and promoting diversity and inclusion. Similarly, from entities 32 countries organise courses on fight against discrimination, stereotypes and subconscious bias. Thus, Asia deployed a compulsory training for all seniors managers on subconscious bias. In 2016, almost 400 managers in France, including a hundred from CIB, followed a course on bias and subconscious stereotypes. Retail Banking in France proposed e-learning on the topic for all employees and mandatory for all new recruits.

Different programmes offer personal development and networking to facilitate the career progression of the Group's Women Talents. Thus, the "**Leaders for Tomorrow**" programme, a hundred Women Talents (Emerging, Advanced and Top) identified in Europe gathered together for a Networking and Personal Development Day, bearing the name "**Opportunities for Women**" (O4W). IRB launched its first "**Women in Business**" uniting 21 Women Talents from 10 countries in a programme designed to develop their leadership and CIB launched **"Accelerated Leadership Programme"** (ALP).

### Raising awareness

The year was marked with numerous awareness actions regarding the International Women's Day, the Diversity Week, the International Day for the Elimination of Violence against the Women, the Pride Week.

During the **Diversity Week**, a large number of countries (Germany, Belgium, United States, France, Hong Kong, Japan, Luxembourg, Portugal, United Kingdom, Singapore, etc.) and subsidiaries organised a large number of events for thousands of employees, with a first edition launched in the Middle East. CIB and BP2S implemented, in 7 countries (Germany, Belgium, France, Italy, Poland, United Kingdom, Russia) and in Scandinavia "job shadowing" and openness to professional diversity initiatives.

For the first time in the United Kingdom, an interactive platform enabled employees to share experiences, research, videos and tweets regarding diversity on "Join the conversation".


### Sharing with stakeholders

In France, within the framework of a partnership with Medef, "**Patrons champions du changement**" (Bosses champion of change), BNP Paribas invested in developing an e-learning programme for SMEs aiming at combating discrimination when recruiting.

Regularly, sessions sharing good practices and presentations concerning diversity are organised for our stakeholders (customers, suppliers or students mentored by employees) some of whom may take part in the Diversity Week.

BNP Paribas Wealth Management is a sponsor of the "**Women Initiative Foundation**" for three years. Thirty women executives high-growth international companies from Europe, Asia, the United States of America and the Middle East took part in a training programme organised by Stanford. Some female Talents participated in this year edition.

## ACTIONS AND RESULTS ON THE MAIN AREAS OF FOCUS OF THE DIVERSITY AND INCLUSION POLICY

### Professional equality: proactive objectives and results

Once again, the Group witnessed the positive impact of the actions implemented with numerical goals to increase diversity in targeted groups. The share of women in the key populations continues to increase **and the 2018 objective of commitment 4 "Promotion of diversity and inclusion in the workplace" of 23% of women in the 500 LfC has already been exceeded with 24% of women at end 2016.**

In accordance with the provisions of the European Agreement on professional equality signed in 2014, a first European report on professional equality between women and men was carried out, defining the monitoring indicators. The daily commitment to promote professional equality between women and men is a collective effort benefiting everybody.

| Share of women | 2015 | 2016 | 2020 Objective |
|---|---|---|---|
| **Board of Directors** | The headcount is identical (50/50) including two elected women employees. (at 41.7% in accordance with the rules of the Copé-Zimmermann Act) | | - |
| **Executive Committee** | 5.5% (1/18) | 5.5% (1/18) | - |
| **G100 (100 Top executives)** | 20% | 23% The 2012-2017 cumulative nomination rate is 34% and has risen to 40% since 2014. | - |
| **Leadership for Change (Top 500)** | 21% | 24%, i.e. more than the 2018 objective, and 33% of the year's nominations. | 25% 23% (2018) |
| **Senior Management Position(1)** | 26%, 35% of the year's appointments | 27%, 30% of the year's appointments | 30% |
| **Talents – Leaders for Tomorrow** | Top | 32% | 30% |
| | Advanced | 38% | 40% |
| | Emerging | 44% | 50% (2016) |
| **Senior Executive** | | | |
| at Group level (*) | 30.6% | 31.4% | - |
| in France | 34.6% | 35.2% | |
| **Managers** | | | |
| at Group level (*) | 44.5% | 45.1% | - |
| in France | 47.5% | 48.0% | |

*(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.*

*(*) Physical headcount on 63% of the Group headcount.*

On the Board of Directors, the split is even (50/50) including two elected women employees (set at 41.7% by the Copé-Zimmermann Act)

The composition of the G100 is also moving towards a greater mix with women representing 23%. Since 2010, the average percentage of women appointed is 33% and has risen to 40% since 2014.

Women now represent 27% of SMP population, 30% of whom are part of this year appointment, in line with the 30% objective set for 2020.

For the first time, gender mixity objectives expressed in figures have been defined for the three categories of Talents: Emerging (50% of women from 2016), Advanced (40%) and Top (30%) to be achieved in 2020. Almost all the objectives have been achieved with 44% Emerging, 38% Advanced and 32% Top Talents in 2016, and women representing 40% of all Talents.

### Promoting the employment and insertion of people with disabilities

On 29 June, Jean-Laurent Bonnafé signed **the ILO's Global Business and Disability[1] Charter**, with the objective of strengthening the Group's commitment towards of disability in all the countries where the Bank operates.

In 2016, entities in 9 countries covering 37% of the workforce have signed collective agreements on disability which exceed legal requirements. In addition, 40 entities in 22 countries have taken measures benefiting disabled people in the areas of recruitment, promoting employee accessibility or customer accessibility, and 27 entities in 16 countries offer training or awareness measures. In around 50 countries legally authorised to record workers with disabilities and from monitoring this indicator, there were 3,544 disabled employees in 37 countries, including 206 recruited in 21 countries.

*(1) ILO: International Labour Organization.*

## NUMBER OF EMPLOYEES WITH DISABILITIES(*)

| | Number of employees | | | Recruitment | | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| France | 1,398 | 1,497 | 1,722 | 52 | 57 | 80 |
| (of which BNP Paribas SA) | (1,203) | (1,203) | (1,295) | (43) | (38) | (62) |
| Belgium | 69 | 71 | 69 | 3 | 0 | 2 |
| (of which BNP Paribas Fortis) | (69) | (71) | (69) | (3) | (0) | (2) |
| Italy | 679 | 803 | 836 | 21 | 21 | 7 |
| (of which BNL) | (524) | (649) | (654) | (2) | (11) | (0) |
| Luxembourg | 54 | 54 | 58 | 0 | 0 | 0 |
| (of which BGL BNP Paribas) | (52) | (53) | (49) | (0) | (0) | (0) |
| Europe (excluding domestic markets) | 664 | 685 | 726 | 65 | 46 | 89 |
| Rest of the world | 68 | 127 | 133 | 9 | 52 | 28 |
| **TOTAL** | **2,931** | **3,237** | **3,544** | **150** | **176** | **206** |

*(*) Physical headcount taking into account 89% of Group headcount.(82% in 2015).*

In France, BNP Paribas SA launched its 3rd company-wide agreement (2016-2019) which was signed by all trade unions. There were 62 recruitments (172 over the previous four years) and 458 active employees were retained in their jobs (an increase of 16%), overall 1,808 employees were supported in 2016. The employment rate (direct and indirect) for disabled employees declined slightly because of a significant number of people retiring, and now stands at 3.75%: (3.62% in 2015 at the end of the previous agreement).

In addition to information aimed at making people aware of the measures in the new agreement, November was the Disability Awareness Month, in parallel with the national Week, with 30 training sessions and 34 on-site awareness raising measures, the testimonials "Inspirational life stories: going beyond disability" of six special guests with employees attending in Paris or, for the first time for the Group, live via YouTube for regional employees and web users, followed by videos and information broadcast on the internet,

Since 2008, the Group has been an **active member of Gesat**, the national network whose role is to promote ESATs (organisations supporting sheltered employment) and EAs (sheltered employment companies) and to facilitate their relationships with both public and private economic stakeholders in order to develop offerings that meet partner expectations. ESAT and EA revenue with BNP Paribas SA represents EUR 1.5 million or 0.16% of the overall employment rate.

For the subsidiaries, first agreements were signed by BNP Paribas Cardif (2017-2020) and BNP Factor (2017-2019) while BP2S continued its active policy by signing a second agreement (2017-2019).

**BNP Paribas Fortis** is the first Belgian company to receive the "**Disability Matters Europe**" award for its actions in the area of customer accessibility services and workplaces for disabled people. **In Italy, BNL** is the first bank which deployed the application developed by Pedius in order to facilitate the integration of employees and customers who are hard of hearing. It also sponsors "**WOW Wonderful Work**" a portal to raise awareness among recruiters and HR specialists about social and professional inclusion of people affected by Down's syndrome. In **Senegal,** the Group signed the Handicap International charter to facilitate the employment of people with disabilities.

### Internationalisation and multiculturalism

The Group has 162 nationalities in its overall workforce which is broken down into key groups as described below.

| | Talents – Leaders for Tomorrow | | | | | | |
|---|---|---|---|---|---|---|---|
| | Emerging | Advanced | Top | Total LfT | SMP | 500 LfC | G100 |
| **% non-French** | 54% | 56% | 56% | 55% | 41% | 32% | 28% |
| **Number of nationalities** | 55 | 50 | 34 | 57 | 57 | 29 | 11 |

In France, BNP Paribas contributed to the AFMD[(1)] and FACE[(2)] guide entitled "Ethnic discrimination: prevention and action in the workplace" by sharing several best practices.

The international professional network **All Abroad**, which, in France, contributes to promoting a multicultural and inclusive work environment organised an intercultural show with The Comedy Train as guests. Network members were also able to attend workshops led by tax advisers in order to receive advice about their tax returns.

*(1) AFMD: French Association of Diversity Managers.*

*(2) FACE: the French Foundation for Action Against Exclusion.*

### SOGI[1]

In June, BNP Paribas UK launched the first **Pride Week** with 500 employees able to attend 18 events held throughout the week. **BNP Paribas BGL** in Luxembourg organised a conference on the inclusion of all employees in the workplace. This was attended by the Prime Minister, the Workplace Pride Association and representatives of the Pride UK and Pride France internal networks.

**In France**, Cardif launched the Pride France Ouest network, with the Chief Executive Officer attending, during the conference "Being Yourself at Work, Whatever Your Sexual Orientation or Gender Identity". In November, the Group welcomed companies who are signatories of l'Autre Cercle Charter[2] to a dinner at the Orangerie.

### Generations

Twenty Emerging Group Talents from different regions and businesses took part in the "**One Young World**" Summit, the leading congress for young leaders from around the world organised in Ottawa.

IRB has developed a partnership programme "**Learn From Each Other**" involving three IRB countries (TEB in Turkey, BMCI in Morocco and BGZ in Poland) with BNP Paribas BGL in Luxembourg and BNL bc in Italy. The Emerging Talents participants from each country were able to discover over five days another Group entity (with *in situ* presentations from the principal departments in the Bank visited, a "job shadowing" session, practical workshops, meetings with the Head of HR and members of Comex and discussions with young emerging talents from the host country).

In France, **the new agreement on the generations pact** was signed by all the trade unions. This agreement provides, in particular, the introduction of skill-based volunteering work which allows senior employees work with organisations of general interest organisations or to NGO partners. The Group encourages intergenerational projects and discussions, for example, as part of the Talents and LfC programmes.

### Workplace gender relations

In addition to the provisions reinforced in the code of conduct, BNP Paribas joined the government and seven large French groups in collecting the opinions of employees (who participated in great numbers) on workplace gender relations. BNP Paribas signalled its commitment by signing for the anti-sexism action package.

**BNL** has launched several initiatives on the issue of everyday sexism and violence against women ("feminicide") including partnerships with associations (to promote support and counselling for women in difficulties) or support for the development of mobile apps to report harassment.

### Parenthood and personal/work life balance

The Group continues its actions to help employees achieve a balance between their personal and working lives, in particular, through specific training in 26 countries.

Throughout the year, many entities organised **Family Days** in order to introduce employees' children to their work environment. The "**Parents & Carers**" network in London invited employees children to a "Bring Your Child to Work Day", based on a "build a bank" theme.

In the **Asia-Pacific** region, breastfeeding rooms were made available: in Australia, India Hong Kong, Japan and Singapore.

**In France**, the 4th Parenthood Week has, in particular, offered employees lectures/debates on the influence of social networks on teenagers, on teenage years and addictions and on educational benchmarks and cultural diversity.

**In the United Kingdom**, during the Diversity Week, employees were also able to attend a round table on the challenges for single-parent families.

**BNP Paribas Fortis in Belgium** received the **#ChildrenAllowed** certification (because happy parents are happy employees) for the actions undertaken to promote parenthood.

AIF[3] awarded **BNL** the "Premio Adriano Olivetti" for its Dads@Work project which offers future young fathers an awareness raising day about the double role of father and employee.

### Promoting and complying with the International Labour Organization fundamental conventions on Human Rights

BNP Paribas has no tolerance with modern slavery or human trafficking. In its **code of conduct**, the Group has, in particular, undertaken to promote Human Rights within its sphere of influence, including among employees. BNP Paribas undertakes to offer a workplace environment in which all employees are treated with respect and dignity. In order to respect other people, employees must not discriminate against anybody in the Group.

BNP Paribas carries out an annual review of countries that are high-risk in terms of Human Rights[4]. As in 2015, BNP Paribas has operations in 8 countries at risk, representing 5.6% of its total workforce, and in 21 countries where there is cause for concern, representing 13.9% of its total workforce. The figures remain relatively stable (4.0% and 14.4% in 2015). Moreover, 4 employees in Brazil (11 in 2015), corresponding to a national programme designed to encourage disadvantaged young apprentices (from 14 to 24 years old) into the workplace, are registered in the Group as being under 18 years old but over 16 years old (for further information, see chapter 7, part 4 – Commitment 8, *Combat social exclusion and support Human Rights*).

*(1) SOGI: Sexual Orientation and Gender Identity.*

*(2) L'Autre Cercle is an NGO whose main goal is to combat workplace discrimination against LGBT individuals (Lesbian, Gay, Bisexual, and Trans).*

*(3) AIF – Associazione Italiana Formatori (Italian Training Association).*

*(4) Source: Maplecroft which identifies 41 countries at risk and 58 countries who are a cause for concern (stable since 2015).*

## INTERNAL AND EXTERNAL RECOGNITION REASSERTED

### Internally, a continuing highly positive perception

The internal survey is particularly positive on all aspects of diversity: 69% (+2 points) of employees state they have a clear vision of the actions carried out by BNP Paribas to promote diversity and 72% (+2 points) that management promotes diversity in the workplace, through respecting differences.

Generally, gender perception is similar in the GPS except in some areas where women have a more favourable opinion on the balance between personal and working lives, operational efficiency and innovation and a less favourable opinion regarding equality of opportunity between the sexes and remuneration.

### Externally, numerous awards confirm the positive momentum of our actions

CSR and diversity related issues are becoming increasingly important in investment decisions, and in assessments by analysts and extra-financial rating agencies. BNP Paribas has been ranked **the leading European bank** by **Vigeo Eiris** (up 3 points on HR topics versus 2015) and amongst the 100 Companies in the **Thomson Reuters index** (Global Diversity & Inclusion index). The Group also entered the **Bloomberg Financial Services Gender-Equality Index (BFGEI)** and, in the area of workplace equality, the **Pax Ellevate Global Women's Index Fund**.

In the United States, the President and CEO of **Bank of the West**, Nandita Bakhshi, was named the number one "**Woman to Watch**" by American Banker, while Michelle Di Gangi, Head of Small and Medium-Size Enterprise Banking, and Claudine Gallagher, Head of Securities Services North America, were also identified as being amongst **the most powerful women in the world of banking**. The UK Head of Diversity and Inclusion at BNP Paribas, was named in the Telegraph Media Group's "**Out At Work Top 50 LGBT Executives**" list.

In December, at the French Ministry for the Economy and Finance, the Fondation Mozaik awarded **BNP Paribas first place in the 2016 awards for the "Top 10 of Diversity Recruiters"** in the "Large Companies" category. This prize is in recognition of the Group's bold approach on diversity issues through the structured interview method which involves assessing applicants in a uniform manner on the basis of objective criteria related to the skills required for the post in question.

On 15 December, Laurence Rossignol, the French Minister for Families, Children and Women's Rights awarded **BNP Paribas Personal Finance** the "**Gender Equality in the Workplace**" certification. This certification, managed by Afnor, and achieved for the fourth time, is a recognition of the equality policy introduced by Executive Management/General Management and Human Resources, which in particular involves actions implemented to promote equal pay, diversity, the organisation of the work and personal life balance and the follow-up of people returning from maternity and parental leave.

## COMMITMENT 5: A GOOD PLACE TO WORK AND RESPONSIBLE EMPLOYMENT MANAGEMENT

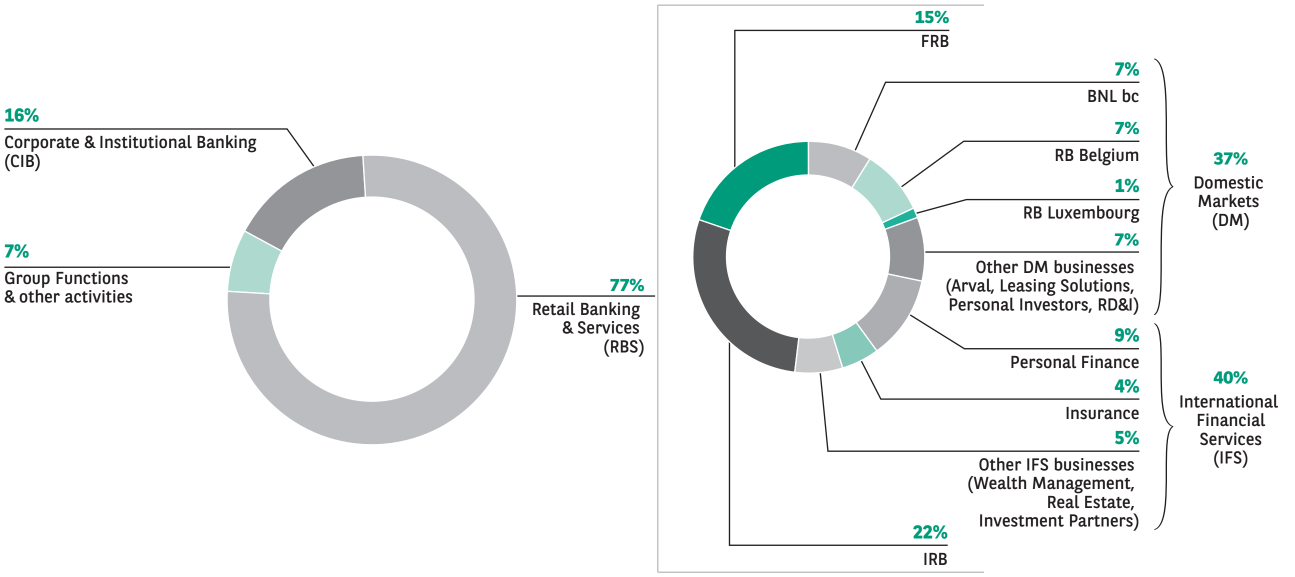
**Our employees are our main asset, which we must take care of by guaranteeing a few important collective rules. Our social responsibility shows our capacity to be a "good place to work" for our employees by providing them with a safe work environment, which maintains their health and a good personal/work life balance, is thus favourable for a long-term relationship with the Company, characterised by responsible employment management.**

**Commitment 5 "A good place to work and responsible employment management relates to the percentage of employees with 14 weeks of paid maternity leave and/or six days' paid paternity leave, which reached 81%, in line with the 2018 objective of 85% (2015 baseline: 74%).** Entities in five Asian countries have already taken the measures necessary to fulfil this commitment and others take the necessary steps with including Bank of the West in the United States, which will offer its employees welcoming a new child six paid weeks from 1 January 2017.

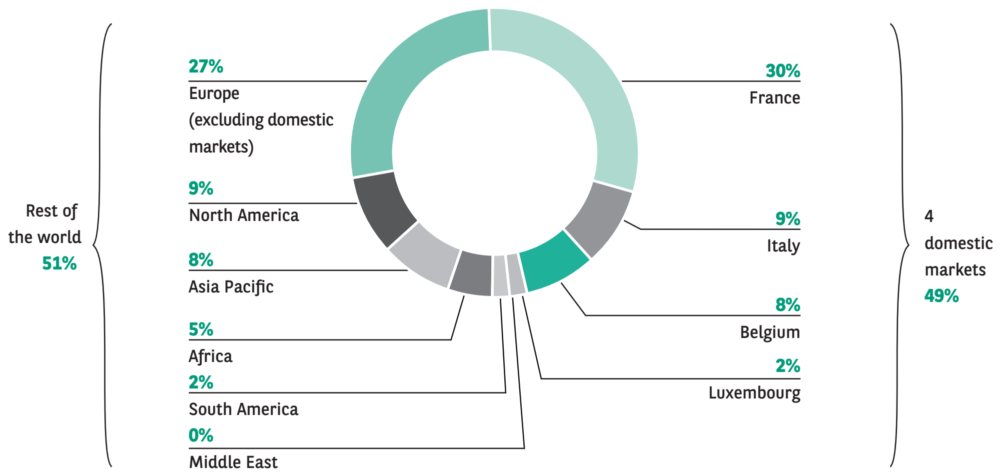
### WORKFORCE EVOLUTION

At end-2016, the workforce managed by the Group reached 192,418 FTEs (Full Time Equivalent – 184,839 FTEs in the workforce for financial purposes[1]), an increase compared to 2015 (189,077 FTEs), mainly due to the acquisition of the brokerage firm, Sharekhan Ltd, in India, Arval's acquisition of new businesses in South America and the organic growth of CIB activities in Portugal and India. For the record, the workforce managed by the Group totalled 187,903 FTE at year-end 2014.

#### ➤ BREAKDOWN OF THE WORKFORCE BY BUSINESS LINE




#### ➤ BREAKDOWN OF TOTAL WORKFORCE BY GEOGRAPHICAL AREA



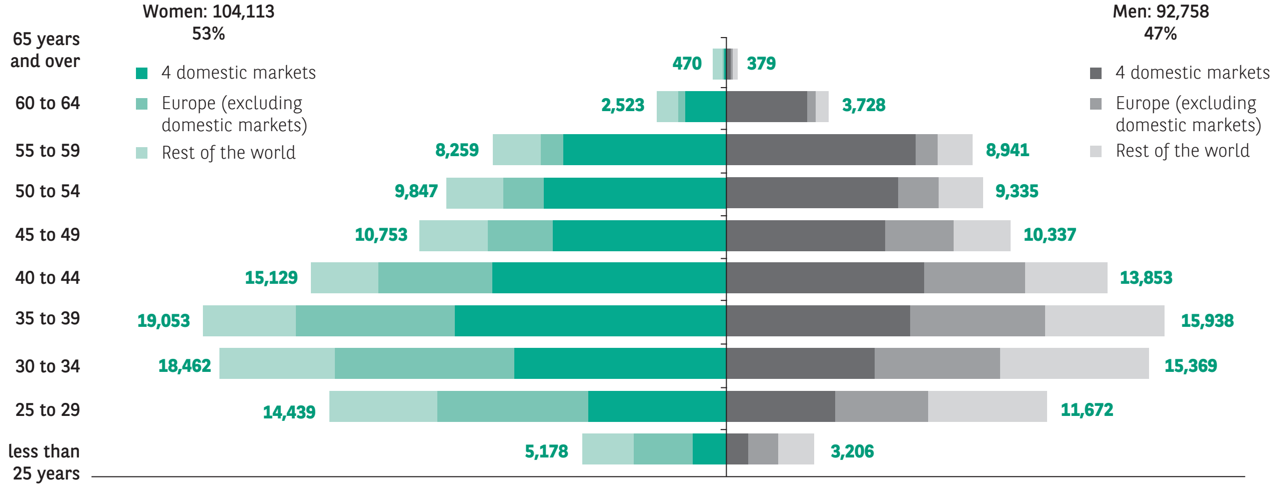

The geographical breakdown of the workforce in 74 countries, including 51 for Retail Banking, remains relatively stable compared with 2015.

*(1) Financial headcount: Full-time equivalents (FTE) at 31 December 2016 in wholly controlled, fully consolidated entities.*

## CHANGE IN THE WORKFORCE OVER THE LAST TEN YEARS

| | 2006 | 2011 | 2016 | | |
|---|---|---|---|---|---|
| France | 57,124 | 59,877 | 58,338 | 4 domestic markets 95,627 | Europe 146,432 |
| Italy | 20,307 | 19,053 | 18,017 | | |
| Belgium | 666 | 16,673 | 15,721 | | |
| Luxembourg | 1,254 | 3,820 | 3,551 | | |
| Europe (excluding domestic markets) | 31,233 | 46,041 | 50,805 | | |
| North America | 14,810 | 15,079 | 16,135 | | Rest of the world 45,987 |
| Asia-Pacific | 6,084 | 12,713 | 15,273 | | |
| Africa | 6,201 | 8,361 | 9,976 | | |
| South America | 2,924 | 6,088 | 4,086 | | |
| Middle East | 1,308 | 2,218 | 517 | | |
| **TOTAL** | **141,911** | **186,929** | **192,419** | | **192,419** |

## BREAKDOWN OF GROUP WORKFORCE BY AGE, GENDER AND GEOGRAPHICAL AREA(1)




The age structure is well balanced. The average age remains at 40.6 years (41.3 years for men, 40 years for women). It increases in Africa (to 36.5 years), in Europe (40.6 years) and in the Middle East (38.3 years) and declines in Asia-Pacific (to 35.6years) where it is the lowest. It is highest in France (42.3 years) and in North America (42.9 years). The average age of departure for employees aged 55 or over increases slightly in the Group to 60.8 years (compared to 60.7 years in 2015).

The average length of service decreases slightly to 11.6 years (versus 11.7 years), particularly in France (to 15.6 years), remains stable in South America and increases in Africa (to 9.2 years) and in the Middle East (8.5 years). It continues to be highest in France and in Europe (11.1 years excluding France).

*(1) Physical headcount taking into account 99% of Group headcount (permanent contracts + fixed-term contracts).*

## RECRUITMENT

**Worldwide, the Group hired 20,249 people (+3%) on permanent contracts, including 3,931 in France (+29%), even though the Group systematically favours internal recruitment through the promotion of mobility before external recruitment.**

### In a demanding backdrop, BNP Paribas continues to recruit while giving priority to internal mobility

With 61% of recruitments in Europe (56% in 2015), BNP Paribas confirmed its position as leading European bank. France became the leading recruiter with 19%, ahead of the United States (18%), India (8%), Ukraine (7%), Turkey (6%). A high employee turnover is recorded in all of these countries, except for France. Portugal (5%) and the United Kingdom (4%) are next. External recruitment remains high with 2,000 recruitments expected in France in 2017, in a context where priority is still given to mobility and training.

### Digitalise recruitment to attract applicants

The year marked strong digital recruitment both externally and internally with the creation of a new community on the internal social network of digital recruiters, social media guidelines, thematic web conferences and a LinkedIn certification programme.

The Group increased its presence on social networks with over 330,000 LinkedIn subscribers and a new page, Linkedin Life, the creation of a Group page on Indeed[(1)], the development of a BNP Paribas page on Glassdoor[(2)] and hosting of France's first Glassdoor's second event in France on transparency; the creation of competitions and other interactions with applicants on Twitter, Instagram, an original presence on Pinterest (France, Italy), numerous Facebook pages and the launch of the first recruitment campaign on Snapchat ("**In the shoes of BNP Paribas recruiters**") with the participation of 5 countries (France, Italy, the United Kingdom, India and the United States). The aim of the campaign was to reach our future talents by means of a channel used infrequently by businesses and to recruit new friends of the brand.

bnpparibas

The Group continued to disseminate its employer value proposition "**Let's Design Tomorrow**" via various communication tools through the creation of a universal advertising campaign (Asia-Pacific, Belgium, France, Italy, Poland, etc.), the launch of a new careers section on the bnpparibas.com site, the creation of a community of Group Campus Managers and a campus kit (tools to establish relationships with schools) and major awareness-raising initiatives in-house.

BNP Paribas was awarded the **Top Employer Europe** certification for the 4th consecutive year, in 7 countries: Belgium, France, Italy, Poland, Turkey, Spain and Luxembourg. For the 5th consecutive year, BNP Paribas New York was named «**Best Place to Work**» for equality of LGBT [(3)] employees by Human Rights Campaign.

top EMPLOYER EUROPE 2017
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

BNP Paribas also worked on improving the applicant experience by making it more accessible and connected through numerous new features: for job applications, the site has become mobile friendly, with a more intuitive and attractive registration form. The Group started remote interviews and created a treasure hunt to validate skills (in the **UK**). It also launched selective cognitive tests online (in **France**).

BNP Paribas developed its partnership with the **Individual Dual Career Network** (IDCN), a network of international companies whose goal is to support employees' international mobility by facilitating their partner's job search (http://idcn.info/) and posted a forum in Paris in which some 100 expat spouses participated.

**In France**, the Group organised several innovative events:

- BNP Paribas launched the **M'IT UP**, informal meetings bringing together digital enthusiasts, IT experts, e-influencers and HR representatives. The Bank's challenge is to meet with potential IT applicants in order to provide better awareness of our businesses in this area and to become an employer of choice for this target audience. Three meetings took place this year attended by 240 participants and with almost 1,000 subscribers to the BNP Paribas page on the Meetup site [(4)].


- **A large off-site recruitment exercise took place at Roland-Garros**. More than 50 BNP Paribas Group employees (French Retail Banking, IT and Human Resources) met to interview 160 applicants for sales, marketing and IT positions and to discuss permanent contract opportunities within the Group.

*(1) Indeed is a job aggregator search engine, which has become the leader in more than 20 countries thanks to an approach entirely focused on the needs of job seekers.*

*(2) Glassdoor is a site on which employees and job seekers anonymously post opinions on companies.*

*(3) LGBT: Lesbians, Gays, Bisexuals, Trans*

*(4) Meetup is a social networking platform facilitating exchanges between people sharing a common interest.*

- "Live" meetings were organised to present the diverse range of our businesses to 1,322 participants in chat sessions, with 30,697 plays of the conversations recorded and 690 questions answered.
- Six themed classroom events (IT, sales and marketing, etc.) **Dogfinance Connect**[1] events with preselected candidates, took place involving managers recruitment and officers.
- BNP Paribas also joined the **"Alliance for Youth"** programme, an international initiative launched by Nestlé in 2014. The aim of this programme, which has more than 200 member companies in Europe, is to combat youth unemployment by helping young people to develop their expertise and social skills necessary to access the employment market. To show its commitment, BNP Paribas launched the **Job Talks**, which are special online or classroom-based discussion sessions and consultations with HR experts and operations managers. These meetings are an opportunity for young people to have discussions with employees about their jobs and on the best techniques to use in order to optimise their job search.

## CHANGES IN HEADCOUNT

### ➤ NEW HIRES OF PERMANENT CONTRACTS AND GEOGRAPHICAL DISTRIBUTION[(1)]

| | Men | Women | 2015 Total | Men | Women | 2016 Total |
|---|---|---|---|---|---|---|
| New hires on permanent contracts | 8,645 | 9,488 | 18,133 | 8,871 | 9,659 | 18,530 |
| Fixed-term contracts converted into permanent contracts | 654 | 885 | 1,539 | 788 | 931 | 1,719 |
| **TOTAL** | **9,299** | **10,373** | **19,672** | **9,659** | **10,590** | **20,249** |
| 4 domestic markets | 51% | 49% | 4,341 | 50% | 50% | 5,221 |
| Europe (excluding domestic markets) | 42% | 58% | 6,217 | 42% | 58% | 7,071 |
| Rest of the world | 53% | 47% | 9,114 | 51% | 49% | 7,957 |
| **TOTAL** | **48%** | **52%** | **19,672** | **48%** | **52%** | **20,249** |

*(1) Physical headcount.*

### ➤ REASONS FOR PERMANENT EMPLOYEE DEPARTURES

| | Men | Women | 2015 Total | Men | Women | 2016 Total |
|---|---|---|---|---|---|---|
| Retirement/early retirement | 1,589 | 1,665 | 3,254 | 1,293 | 1,569 | 2,862 |
| Resignation | 4,923 | 5,740 | 10,663 | 4,969 | 5,842 | 10,811 |
| Dismissals[(1)] | 1,116 | 1,444 | 2,560 | 1,059 | 1,341 | 2,400 |
| Mutually agreed departures and equivalent | 353 | 545 | 898 | 405 | 722 | 1,127 |
| Assisted departure plans | 566 | 532 | 1,098 | 492 | 434 | 926 |
| Other terminations of permanent contracts (unspecified, end of trial period, death) | 817 | 849 | 1,666 | 965 | 1,244 | 2,209 |
| **TOTAL** | **9,364** | **10,775** | **20,139** | **9,183** | **11,152** | **20,335** |

*(1) In France, the grounds for the 423 dismissals (418 in 2015) were professional failings, unsuitability and misconduct.*

27% of the departures are in the domestic markets (28% in 2015), 38% in the rest of Europe (36% in 2015) and 35% in the rest of the world (36% in 2015).

## ORGANISATION OF WORKING HOURS

### ➤ TYPE OF CONTRACT[(1)]

| | Men | Women | 2015 Total | % | Men | Women | 2016 Total | % |
|---|---|---|---|---|---|---|---|---|
| Number of permanent contracts | 87,355 | 94,999 | 182,354 | 96% | 89,766 | 95,802 | 185,568 | 96% |
| Number of fixed-term contracts | 2,392 | 4,330 | 6,723 | 4% | 2,488 | 4,362 | 6,851 | 4% |
| **TOTAL** | **89,748** | **99,330** | **189,077** | **100%** | **92,254** | **100,165** | **192,419** | **100%** |

*(1) Full-Time Equivalent.*

*(1) Dogfinance Connect is an innovative recruitment concept allowing candidates (200-300) and recruiters to network in a convivial location with cocktails and champagne. There are no CV, no motivation letter, just smartphones and tablets, to find the persons the recruiters want to meet.*

## PART-TIME[(1)]

| | Men | Women | 2015 Total | % | Men | Women | 2016 Total | % |
|---|---|---|---|---|---|---|---|---|
| Number of part-time employees | 2,187 | 14,728 | 16,915 | | 2,148 | 14,906 | 17,054 | |
| Of which part-time employees working 80% or more | 1,364 | 9,933 | 11,297 | 67% | 1,319 | 10,116 | 11,435 | 67% |
| % of part-time employees | 3% | 16% | | 10% | 2% | 15% | | 9% |
| % of part-time employees by gender | 13% | 87% | | | 13% | 87% | | |

*(1) Physical headcount taking into account 94% of Group headcount.*

The part-time employees are mainly distributed in the four domestic markets.

## QUALITY SOCIAL DIALOGUE

**The Group promotes good social dialogue, particularly on employment issues, gives priority to internal mobility and confirms its commitment to responsible social management.**

### The European Works Council

For this four-year mandate, the European Works Council, has a secretary and deputies (two men and one woman) respectively from Luxembourg, Belgium and Spain, reflecting the Group's diversity and strong European base. At end-2016, the European Works Council covers 23 countries and more than 66% of the total workforce.

As agreed when the European Agreement on Workforce Equality was signed, an initial assessment was carried out in 2015 which enabled a first European report on gender equality presented at the Council's plenary meeting in the Spring of 2016.

**A European agreement on prevention of work-related stress** was negotiated and signed by all 50 representatives of the European Works Council, and will be implemented from 2017 onwards. This agreement forms the third component of the European Social Charter after the agreement on employment management in 2012 and on workforce equality in 2014.

### Worldwide

Numerous entities across 48 countries, including the countries covered by the European Works Council, have staff representatives and/or union representatives or engage in direct dialogue with management, meaning that 85% of the total workforce is covered. Almost all European and African countries are represented, as well as numerous Asian and South American countries. More than 4,800 official meetings in 41 countries were organised between these representatives and their management, enabling a total of 296 signed collective agreements and participate to 32 sector-wide agreements (48 in 2015). These improvement agreements signed in 2016, or previously signed and still in force, cover 73% of the headcount in 33 countries and deal most often, in decreasing order, with compensation, social benefits, work organisation, health and safety at work, dialogue governance, protecting employment, diversity, inclusion and other related subjects. In addition, although they have not signed agreements, entities in 13 countries discuss these subjects with employees or their representatives and take positive actions. Entities covering around 57% of Group employees provide their representatives with resources that go beyond legal requirements.

## NUMBER OF MEETINGS AND COLLECTIVE AGREEMENTS SIGNED

| | Collective agreements | | | Meetings | | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| France (including BNP Paribas SA) | 76 (8) | 106 (13) | 149 (16) | 3,732 (2,493) | 3,763 (2,375) | 3,814 (2,254) |
| Belgium (including BNP Paribas Fortis) | 10 (8) | 15 (12) | 10 (5) | 175 (160) | 208 (184) | 224 (180) |
| Italy (including BNL) | 62 (36) | 57 (37) | 71 (59) | 195 (80) | 123 (62) | 176 (90) |
| Luxembourg (including BGL BNP Paribas) | 1 | 2 (0) | - | 24 (8) | 26 (10) | 28 (10) |
| Europe (excluding domestic markets) | 9 | 50 | 51 | 114 | 225 | 445 |
| Rest of the world | 16 | 27 | 15 | 92 | 96 | 127 |
| **TOTAL** | **174** | **257** | **296** | **4,332** | **4,441** | **4,814** |

### Employment management

Concerning employment, BNP Paribas always favours training and mobility throughout the world. It manages employment in compliance with the agreements signed with employee representatives.

The agreements on employment management in France (renewed on 28 January 2016 for a three years period) and at the European level (agreement signed in 2012 and renewed automatically) are rigorously applied in accordance with the following principles:

- anticipate as much as possible and regularly inform employee representatives at the meetings or places of exchange provided, on structures adjustments and organisation following the necessary adaptations of the Group companies;
- make every effort to avoid forced departures in the event of organisational changes with significant consequences on employment via, in particular, the use of natural turnover, mobility and voluntary departure solutions.

It is in accordance with these particular principles that the transformation plan for the CIB activity with its consequences on employment is being implemented at the European level. It was presented to the Group's European Works Council in May and November 2016 as well as to the local bodies affected.

**In Europe**, the CIB workforce should remain stable up to the end of 2018. In France, the United Kingdom and Luxembourg, reductions in employment levels are planned and will be managed in accordance with the European agreement on employment management, and for France in accordance with the complementary principles of the Provisional Employment and Skills Management of the Group (GPEC) agreement.

**In Italy**, in order to enhance significantly the positioning of the brand and product offer, strengthen customer value and remain competitive, a new organisational structure will be implemented, focused on the principal customer segments. This new structure will lead to redundancies during the 2017-2020 period. This will be achieved principally through voluntary early retirement plans. Several aspects of the employment contract have been reviewed in order to reduce costs and, in parallel, new employment arrangements have been introduced. There has been a strong focus on the employee private life/work life balance with the introduction of specific measures such as the creation of a fund for additional paid leave for employees having to confront particularly difficult personal situations.

Agreements and all of these measures were signed into with the trade unions, demonstrating the quality of the employee-management dialogue.

**In Belgium**, in order to support the significant challenges of the company in the near future, several collective agreements were negotiated and agreed in 2016 in an intense and constructive dialogue. In particular, an agreement was signed to help adapt the network to meet customer expectations in terms of more flexible branch business hours, keeping 186 of them open until 8 p.m. on Thursdays.

The most important agreement provides until the end of 2018 an employment guarantee and support for employees whose jobs are affected by the reorganisations, to assist them in seeking internal reassignments and, as the case may be, voluntary departures. This employment commitment is a strong message to all employees.

## A COMPETITIVE COMPENSATION POLICY

### Compensation and its evolution

The Group's compensation policy is founded upon principles of fairness and transparency, which are supported by a single annual compensation review for the Group. The principles on the composition of compensation and evolution of the fixed compensation are common throughout the Group and consistent with the objectives of risk management. This policy aims at discouraging excessive risk taking. Variable 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 applicable throughout the Group. The employees are informed of these principles by the various business lines.

Variable compensation is determined according to individual and collective performance over the year, based on the objectives set. It can take different forms in the various business lines. The method used to determine individual variable compensation includes a quantitative and qualitative review of each employee's sustainable performance measured relative to the objectives set, an appraisal of each employee's professional conduct in terms of respect for the Group's core values, team spirit, compliance rules, code of conduct, and procedures, as well as their contribution to risk management (including operational risks).

In 2016, for retention purposes, the Group awarded for the 4th consecutive year over 6,000 key employees[(1)] a medium-term incentive plan maturing in June 2019, 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 the operational performance of the Group. As part of this plan, the CSR performance is based on nine objectives representative of the four pillars of the Group's governance and CSR policy. As eight out of nine CSR criteria were achieved in 2013 with respect to the first international SIS plan, the relevant portion of the first allocation plan was upheld and paid out to the beneficiaries of the plan.

A new indicator on the pay distribution between men and women was included in 2016 in the annual compensation review process for all Group 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. Similarly, over several years, in **France**, BNP Paribas SA and several subsidiaries allocate specific envelopes for salary increases negotiated as part of compulsory annual negotiations, with the aim of supporting the gender equality policy. In 2016, the overall envelope in France stood at nearly EUR 2 million.

*(1) Key employees: senior managers, high-potential employees or key local resources.*

### AVERAGE YEARLY COMPENSATION[1]

| | 2014 | 2015 | 2016 | Variation in % 2014/2015 | Variation in % 2015/2016 |
|---|---|---|---|---|---|
| France[2] | €52,018 | €52,490 | €53,458 | +0.91% | +1.84% |
| Belgium (BNP Paribas Fortis) | €70,525 | €70,286 | €70,277 | -0.34% | -0.01% |
| Italy (BNL SpA) | €50,600 | €50,835 | €51,689 | +0.46% | +1.68% |
| Luxembourg | €77,436 | €77,968 | €78,621 | +0.69% | +0.85% |

*(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, on a 35-hour work week.*

### Compensation policy in line with regulatory changes

In accordance with applicable regulations, the Group's compensation policy aims to ensure coherent behaviour among employees whose professional activities have a significant impact on the Group's risk profile and long-term objectives, particularly with regard to risk management. Since 2009, the implementation of this policy resulted in formalising and reinforcing the governance, based notably on the implication of the control functions, the Executive Management and the Board of Directors' Compensation Committee. In particular, it has led to the behaviour of employees identified as risk takers – Material Risk Takers (MRT) – being taken into account systematically with regards to their observance of compliance and risk management rules when it comes to determining their annual variable remuneration; to the deferral of a significant portion of their variable remuneration for at least three years (from 40-60% deferred for the highest-paid); and, to index-linking part of their variable remuneration (more than 50% for 2016 allocations in respect of 2015) to the performance of BNP Paribas Group shares in order to align the interests of the beneficiaries and BNP Paribas Group shareholders. Payment of each instalment is subject to performance and behaviour conditions and failure to fulfil these conditions could lead to the partial or total loss of the annual payment (penalty system).

The Group's compensation policy is applicable to all branches and subsidiaries, including those outside of the European Union. It complies with European Directive CRD 4 of 26 June 2013 and its transposition into French law in the Monetary and Financial Code, as well as the European delegated regulation on the identification of risk-taking employees. This information on the compensation policies and practices as well as quantitative information on employees identified under the new regulations as risk-takers for the Group for 2016 will be published in a report on the BNP Paribas internet site http://invest.bnpparibas.com before the Annual General Meeting on 23 May 2017.

### Profit-sharing in the Group's performance

**In France**, the Group associates its employees with the Group's performance as part of profit-sharing and incentive mechanisms. In respect of 2016 performance, a total amount of EUR 151 million for profit sharing and of EUR 124 million for incentives at BNP Paribas SA, which is still to be determined at Group level, will be paid to 66,376 employees, compared to respectively EUR 142 million and EUR 185 million paid to 68,947 employers at Group level for 2015. For **BNP Paribas SA**, the incentive agreement involves three components, including a CSR target concerning paper consumption per employee, which was reached in 2016. At **BNP Paribas Fortis** (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. As the 2016 objectives were achieved, EUR 20 million (unchanged) were paid in 2016 to all employees. In **Luxembourg**, the Bank paid, in 2016, an incentive bonus to non-manager employees of a total of nearly EUR 4 million for 2015.

At end-2016, the percentage of capital held directly or indirectly by Group employees was 4.5% (4.9% at end-2015).

## FOCUS ON PEOPLE

### Working conditions

**In France, BNP Paribas SA** has been testing the combination of teleworking with new flex office work spaces[1]. Employees were involved in a concerted participative approach with the employee representatives and the occupational health service. This experiment included three sites and 600 people. Thirty activities/business lines were represented with support on change including one day of training per person (half teleworking and half flex office).

The evaluation carried out at the end of the first half-year of 2016 showed an overall high level of satisfaction, that was greatly in favour of continuing with this model. The development of these new work methods and environments is therefore under way in Île-de-France still following a participative approach and with close support for the employees in question.

*(1) Flex Office is an office layout concept for service-sector buildings which caters for new ways of organising work and involves the set-up of shared work stations and collaborative spaces suited to employees needs.*

At the end of 2017, nearly 10,000 people will be working in flex office workspaces in the Paris region, including 6,000 for BNP Paribas SA, with a significant proportion of teleworking employees (between 35-60% according to the business areas), as well as in two subsidiaries, **Personal Finance** in Levallois and **Leasing Solutions** in Nanterre, that are also using new working methods.

**In Italy**, the "**Smart Bank**" project was implemented within **BNL** to facilitate the sharing new working conditions. It is divided into two components: **Smart Spaces**, the management model for spaces, which assigns areas to organisational segments, and **Flexible Working**, which gives employees the opportunity to work one day a week outside at their normal place of work. These two models allow for considerable flexibility and autonomy in the choice of spaces and times for collaborative working arrangements.

## Health and safety conditions at work

Beyond legislations regarding health and safety at work existing in all European countries and outside of Europe, entities in 45 countries, covering nearly 80% of the workforce, negotiated or signed improved agreements or taken positive actions.

To preserve our employees' health, Group entities in 50 countries (87% of the workforce) have proposed or developed actions raising awareness, programmes or training, generally accessible to everyone, on a variety of topics such as stress and psychosocial risks, nutrition, ergonomics, well-being and how to improve the work environment. In most countries, the Group also offers a large number of sporting events (participation in numerous races and sports challenges) and regular activities (on-site or nearby sport facilities), either free of charge or for a small fee.

In 2002, an agreement with the ISOS Group was entered into for expats essentially focussed on health emergency repatriations for health and safety reasons of employees working abroad. In 2016, **the Group renegotiated its international partnership with ISOS** in order to help and support all employees with their business and private travel for all health and safety related issues. In the event of a traumatic event, no matter in which country, a 24/7 telephone support line provides access to 28 international centres in order to obtain advice and psychological assistance in employees' first language. The renegotiation of the agreement with ISOS has formalised a policy on health and safety support for employees around the world.

**The European agreement for the prevention of work-related stress**, which was unanimously approved at the plenary session of the European Works Council on 9 November, was signed and will enter into effect in 2017. This agreement defines at the European level the resources to be used or strengthened for the prevention of work-related stress, within the 23 countries members of the European Works Council which represent more than 132,000 employees.

Third component of the European Social Charter, the prevention of work-related stress is a key challenge for the Group which plays a role in improving employees' health and safety at work and in improving performance.

### Prevention of occupational risks

In 24 countries (67% of the workforce), entities have improved or developed a programme to assess musculoskeletal or ergonomic risks (notably in **Germany, Argentina, Belgium, Brazil, Canada, Spain, United States, Hong Kong, Italy, Jersey, Luxembourg, the Netherlands, Romania, United Kingdom and Turkey**) and in 35 countries (77% of the workforce) tasks or workstations have been modified to create a healthier environment, in particular, in **Algeria, Germany, Argentina Personal Finance (PF), Austria Leasing Solutions (LS), Belgium, Brazil, Bulgaria, Canada, Spain, United States, Hong Kong, India, Italy, Luxembourg, Malaysia, Norway, the Netherlands, Poland, Portugal, Romania (PF), United Kingdom, Slovakia (PF) and Taiwan.**

**In France**, the prevention of occupational risks policy was adapted in collaboration with our social partners. 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 addition to the European agreement on the prevention of work-related stress and the introduction of a 24/7 hotline as part of the partnership with ISOS, in 41 pays, entities representing 79% of the employees have improved or developed a programme related to psychosocial risks and to work-related stress for managers **(South Africa, Canada, Ivory Coast, Denmark, Spain (PF), Greece, Jersey, Ireland, Italy (Arval) Malaysia, Morocco, Poland (Securities Services))** or accessible to all employees **(Algeria, Germany, Belgium, Brazil, China, South Korea, Spain, United States, Hong Kong, Italy, Luxembourg, Middle East, Poland, Portugal, Romania, United Kingdom, Switzerland, Taiwan, Turkey and Vietnam)**. Listening sessions for employees are also widely available with doctors or social workers, internally or externally, by telephone or face-to-face **(in South Africa (PF), Belgium (Fortis and Alpha Crédit), Italy (BNL and CIB), the Netherlands (LS), United Kingdom (IP and PF) and Switzerland).**

In the **United Kingdom**, employees participated in a workplace stress study, the first of its type in the world. Six hundred volunteers wore new clothing technologies to measure their physiological stress at work and outside the office. Separated into two groups, one of them was asked to take short breaks and use some breathing techniques. That group had a much lower stress level. The results of the study appeared in the press and media worldwide.

**In France**, a questionnaire from the *Observatoire Médical du Stress*, from *Anxiété et de la Dépression* (OMSAD) is offered to all employees during their periodic medical check-up, i.e. almost 8,000 questionnaires per year (48,000 completed in 7 years). The medico-social service provides support to employees with problems. **Care**, the listening and psychological support service set up at the end of 2014 with the "*Capital Santé*" office for all employees of BNP Paribas SA, handled consultations in 2016. As part of the transformation plan, **CIB** offered managers stress awareness sessions (lectures, workshops or training) and introduced a dedicated telephone support line for employees throughout the transformation plan.

In the same vein as the Guide on alcohol risks distributed in 2014, a burn-out prevention guide is under preparation. **Personal Finance** introduced a mandatory training session for all managers on the "detection of stress and burn-out".

### Public health issues

In 36 countries (73% of the headcount), entities have improved or developed awareness raising campaigns on health and nutrition, in particular, **in South Africa (PF), Germany (Consorsbank), Belgium (Alpha Crédit), Brazil (PF), the United States (Bank of the West), Japan, United Kingdom (Arval and BP2S), Singapore and in Turkey (TEB). Two IRB subsidiaries in Africa (BMCI in Morocco and UBCI in Tunisia)** continued the Diabetes Africa operation in which employees were screened and informed of its risks.

In 7 countries, entities developed measures to support employees suffering from addictions **(South Africa, Germany, Belgium, Canada, United States, France and United Kingdom)**.

In France, the Group's Occupational Health Service continues to screen for occupational and general risk factors, including cardiovascular problems and diabetes, and carries out free flu vaccination campaigns as well as blood donor campaigns. It organised 15 prevention days: Information conferences (back pain, visual fatigue, smoking, addictions, musculoskeletal disorders), walk-ins in November 2016 at six sites for the "tobacco-free month", stands (smoking, ergonomics, sleep apnoea) set up during the "well-being" and "workplace quality-of-life" weeks and provides training for workplace first aiders. A medical newsletter ("PEP's") is offered to employees several times a year via the intranet. It addresses various subjects such as cardiac risks for women or sexually transmissible diseases.

### Harassment and violence at work

Harassment, including sexual harassment, is now covered in the Group's new Code of Conduct. It was widely distributed and a mandatory e-learning course was completed by 96% of employees. In France, the Internal Rules of BNP Paribas SA is online (updated in 2015) on the intranet and also states that harassment and violence at work will not be tolerated. In particular, it refers to the "Harassment and Violence at Work" agreement signed in 2010 and renewed in 2014.

## Work-related accidents

Out of 48 countries reporting occupational accident data, 679 accidents occurred in 27 countries (76% of the workforce), equating to an accident frequency rate(1) of 1.6 (2.5 for 939 accidents in 27 countries on 79% of the workforce in 2015). The severity rate(1) is not significant and no significant occupational illness has been identified.(2).

## Absenteeism

The Group's absenteeism rate(3) based on 55 countries is 3.2% (3.5% in 2015 for 45 countries), in addition to 2.5% of absences for maternity/paternity leave(4)(2.9% in 2015).

| | 2015 | | 2016(1) | |
|---|---|---|---|---|
| *In %* | Absenteeism rate | Maternity/paternity | Absenteeism rate | Maternity/paternity |
| France | 4.4 | 2.0 | 4.6 | 1.9 |
| Belgium | 4.1 | 0.8 | 4.5 | 0.9 |
| Italy | 3.4 | 2.1 | 3.3 | 2.2 |
| Luxembourg | 4.1 | 1.7 | 2.9 | 1.3 |
| Europe (excluding domestic markets) | 2.7 | 6.3 | 2.4 | 5.5 |
| Rest of the world | 1.3 | 1.0 | 1.2 | 1.0 |
| **TOTAL** | **3.5** | **2.9** | **3.2** | **2.5** |

*(1) FTE for 90% of the Group workforce.(78% in 2015).*

## Social benefits relating to protection benefits, retirement and savings

In addition to benefits paid in accordance with legislation and Company agreements, and depending on the regulations and practices in the countries in which the Group operates, employees and their families may receive additional benefits covering healthcare costs. This provides them with a high level of protection, defined contribution pension plans (see *Financial statements* – note 7 *Salaries and employee benefits*) so that they can build up capital for their retirement throughout their professional lives, in addition to any pensions paid by mandatory local schemes and any collective incentive plans linked to overall performance. In addition to the mandatory local health cover, the Group provides additional social protection to its employees. For more than 88%(5) of employees it covers part of their healthcare expenses, provides disability and/or life insurance and regularly improves local benefits.

The Group also offers flexible employee benefits, enabling employees to select, to a certain extent, their level of cover from a range of benefits offered. The plan implemented by **BNL** in 2014 allows employees, on a voluntary basis, to receive part of their profit-sharing amount in the form of medical assistance, a pension plan or education and training for themselves or their family. **BNP Paribas Fortis in Belgium** has adapted its variable remuneration policy for managers in order to offer them several flexible allocation options for their annual variable remuneration including cash, extra leave, savings products, training or other benefits in kind.

In **France**, the Group supports employees' voluntary saving efforts with an employer's contribution to savings and retirement plans, totalling EUR 60.5 million in 2016. It offers a mandatory mutualised health plan to employees and a protection insurance system that allows each employee 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 0.05 (0.06 in 2015), to the number of days lost per 1,000 hours.*
*(2) 2,500 lost days due to occupational illness, compared to the total number of lost days, i.e. 0.1% (compared to 1,923 days in 2015 for the same rate of 0.1%).*
*(3) The absenteeism rate includes illness, work-related accidents and occupational illness, excluding commuting 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 free in 56 countries (89%). Furthermore, Group entities offer life insurance in 54 countries (88%) and/or disability insurance in 45 countries (87%). In 28 countries, entitles state they have improved their social coverage this year for health insurance fees (66%) for life insurance in 18 countries (20% and for disability insurance in 16 countries (18%).*

# COMMITMENT 6: A LEARNING COMPANY SUPPORTING DYNAMIC CAREER MANAGEMENT

**The will to create an environment open for our employees' development also entails our ability to create, for each of them, a variety of opportunities.**

**The 2018 objective (90%) for commitment 6: Percentage of employees stating that they have received training (any format, including e-learning) over the past 12 months was 85% at the end of 2016 (74% in2015).**

## CAREER MANAGEMENT

### Appraisal and development of all talents

Career management remains the central focus of the BNP Paribas Human Resources Department in order to develop all our talents, promote internal cross-functional mobility and short-term assignments.

This wish is shown in the Group's employer value proposition and in the new values as redefined in 2015 and draws on the policies implemented, particularly the career management policy that covers all Group entities. **In IRB**, this is reflected particularly by professionalising career management activity and support for managers in Africa and for 8,500 employees in order to anticipate their skills requirements and prepare for the future. **CIB** has introduced an SMP Career Management system with a dedicated HR manager.

Numerous initiatives have been developed to reinforce the feedback culture: Rolling out a **180° feedback** tool to reinforce the managerial behaviours of Top Executives, a new **"Thelmie"** application introduced in **BNP Paribas Fortis** in order to encourage feedback between colleagues, and training for all BNP Paribas SA HR Function managers in France.

This approach, under way for several years, is reflected in the following indicators:

- evaluation rate for seniors managers 2015/2016 worldwide: 86% (78% in 2014/2015) for a population of 2,262 seniors managers (overall population of SMPs excluding Bank of the West);
- evaluation for employees worldwide: 100% of BP2S had an assessment interview in 2015; 94% of Cardif; 98% of CIB; 96% of Luxembourg; 92% of Group Functions/IRB/Wealth Management.

### Update on the Talents programme – Leaders for Tomorrow

As part of its transformation process, at the 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 (500 LfC).

These "Leadership Talents" were identified by their managers and HR managers using "**Leadership Profiles**" or a unique combination of **competencies, experience, motivation and personal tendancies**, which are key for the success of the transformation process.

An integral part of the Group's different business activities, this initiative offers Leadership Talents:

- regular feedback from their manager and HR manager;
- tailored development opportunities: a majority is "on-the-job" (by means of short-term assignments), learning from others (mentoring), or "off-the-job" (at seminars).

At end-2016, almost 5,000 Leadership Talents belonging to the three Leadership Talents Levels (Emerging/Advanced/Top) were identified in their respective environment and will therefore benefit from these schemes.

Each Leadership Talent is invited to prepare his/her Personal Development Plan (PDP), using objectives over a specific period in close cooperation with his/her manager and HR manager. In addition to the individual PDP (used to prepare for the highest Leadership Talent level), he/she is invited to participate in initiatives within their Business/Function/Region (in relation to the Business) or at Corporate level.

They are offered meetings with members of the Group Executive Committee, dedicated seminars, specific activities for female Leadership Talents and skill-based support volunteering activities with social enterprises.

In November, more than 85 women coming from European entities in the three Leadership Talents levels met on the Louveciennes Campus for a one-day course on the themes of influencing, impact, networking, courage and self-confidence inspired by four Group Top Executive women who shared information about their career and personal reflections.

More than 370 Leadership Talents from some 20 nationalities, from all of Group Business Lines/Functions took part in Corporate events. A new seminar, "Leading Forward", in the form of a hackathon dedicated to Emerging Leadership Talents, was offered to around 50 participants. Its principal deliverable was an employee career path app when they are recruited.

In 2017, it is planned to offer these different Corporate initiatives to almost 600 Leadership Talents in France but also in other regions (Asia, in particular at the Singapore Campus).

## TRAINING POLICY

### Developing skills and strengthening the employability of employees remain a priority for training

The Group pays special attention to employees' **training** and **employability**, in order to enable them to acquire new skills on a permanent basis through a broad and diversified offering, innovative formats, increasingly of a digital nature, campuses and a great deal of on-site training. Training is one of the Group's assets for attracting talents and retaining them by developing them.

### Forging and strengthening the Group's corporate culture

#### Group campuses, training centres and academies

The Louveciennes Campus provided training to 40,000 people (+16%). A new room "*le Jardin*" was created in addition to the three other unusual spaces which promote co-working, agility and innovation. Upgrading works were initiated (accessibility for disabled people and fire safety) which will continue until 2020, enabling some spaces to be refurbished.

Being environmentally aware, the Campus has introduced a number of actions to reduce environmental impacts: micro-filtered water is produced, seasonal products from local producers are used for catering, the Reprographics Department has obtained the "Imprim'Vert" (green printing) label and campus biodiversity has been improved.

At **the Singapore Campus**, for its third year of operation, the target of 3,300 employees trained per year is, like last year, largely surpassed with 3,933 employees trained through 191 recurring training programmes (61 regional and 130 local).

The Group also has numerous physical and digital training centres across the world, as well as Group academies aimed at reinforcing corporate culture and managerial performance. **In Africa**, the training teams have developed expertise in the design and engineering of training projects. A certified training scheme has enabled trainers to complete their professional development. Several innovative courses were designed including "Certified course for professionals in the sales and marketing area" offering classroom-based and distance learning methods (video, community, etc.). **The BICI Academy** (regional training centre) in Sub-Saharan Africa has developed and organised the first integration seminar for the region.

The Management Academy was assigned new missions and objectives and became the **Leadership & Management Academy**. This is a cross-functional scheme whose purpose is to disseminate the Group's strategic information and to develop collective leadership.

#### ➤ TRAINING: TOTAL NUMBER OF HOURS AND EMPLOYEES(1)

| | 2014 | 2015(2) | 2016 |
|---|---|---|---|
| Total number of employees trained | 157,083 | 181,665 | 188,759 |
| Total number of training hours | 4,603,606 | 5,204,929 | 5,370,853 |

(1) *Source: My Learning reporting tools (for a majority of countries/entities and «Grenelle 2» (for PF in South Africa, Germany (except CIB), Bank of the West, Turkey and Ukraine). This includes the CDD/CDI physical headcount, representing 98% of the Group's headcount in 71 countries (96% in 60 countries in 2015), as well as 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 2015 published in the first update to Registration document on 3 May 2016 p. 87.*

Of the 98% Group employees spread across 71 countries who are covered by this reporting process, 100% received at least one form of training (96% in 2015), with an average of 27 hours of training per employee (29 in 2015). The decline in classroom-based training is general and in favour of the e-learning format which, again, saw strong growth, particularly for mandatory compliance training (on sanctions and embargoes and on the code of conduct undertaken by 96% and on fraud, anti-money laundering and corruption undertaken by 91%). In the four domestic markets, there was an increase in the number of Risk and Compliance courses (+41%), Group culture and knowledge (+109%) and digital (+208%), which was nevertheless still modest with 19,000 hours.

### TRAINING: OVERVIEW ACCORDING TO METHODS AND SUBJECTS(1)

| | Training method(2) | | | Training content(3) | | | |
|---|---|---|---|---|---|---|---|
| | Classroom based | E-learning | Other formats | Business techniques & functions | Risks & compliance | Group culture & awareness | Individual skills & management |
| France | 27% | 65% | 8% | 27% | 45% | 17% | 10% |
| Belgium (excluding Real Estate) | 24% | 75% | 5% | 15% | 60% | 11% | 8% |
| Italy | 17% | 74% | 19% | 50% | 29% | 10% | 4% |
| Luxembourg | 24% | 75% | 0.4% | 16% | 63% | 14% | 6% |
| Europe (excluding domestic markets) | 13% | 75% | 13% | 16% | 35% | 12% | 30% |
| Rest of the world | 18% | 63% | 19% | 14% | 54% | 17% | 5% |
| **TOTAL** | **24%** | **51%** | **24%** | **27%** | **42%** | **14%** | **12%** |

*(1) Source: My Development; Physical headcount taking into account 87% (75% in 2015) 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 skills by spreading a digital culture

In a changing world, the learning environment is undergoing a transformation. The challenges for learners and trainers are changing and training in the Company is adapting in order to ensure that employees maintain their competence in the business area and can participate in lifelong learning in order to guarantee their employability. A learning company must become more flexible: moving from an annual training plan to more short-term activities and embracing the digital revolution in order to respond more rapidly to the digitalisation of business areas. The Group is therefore developing new learning formats and methods which take into account the developments in working methods and new trends.

### New diversified and digital formats

Among the new trends is a notable increase in learning expeditions (at **IFS**), hackathons (**HR, IT and RD&I**), or social learning (learning from others, skills exchanges on collaboration platforms).

Among new training methods, distance learning modules are increasingly being used:

- **E-learning**: the internal production of e-learning modules remains strong thanks to **IRB's e-factory** (more than a hundred modules produced). Mandatory compliance training continued to be delivered using this format exclusively.
- **MOOC/SPOC**(1): a MOOC on banking culture has been organised on FRB as well as a SPOC on project management launched by the **IT Academy** for the entire IT function.

The launch of a **Mobile Learning** pilot at **BP2S** using quick quizzes and tests sent to mobile phones every day facilitates micro-learning through apps that employees may use any time or anywhere.

The year also witnessed the broadcast of several **"APAC-wide webinars"** on specific subjects (Develop Yourself, Develop Your Team, Develop the Business) and also a **"Web Channel"** available to all employees.

All of these initiatives and the ongoing deployment of new formats confirm the robustness and reliability of BNP Paribas' Learning Management System (LMS) which can be extended to all employees, be divided into modules according to employee profiles and produce increasingly specific monitoring reports.

The "**Let's get digital**" website created in **France** in 2015, was deployed in **Italy, Belgium, Spain and the Asia-Pacific region** for all employees and covers the history of the web, social media, collaborative work, business impacts for BNP Paribas and digital common sense. At end-2016, it had recorded over 16,000 unique users, 200,000 views and 11,000 likes.

Classroom-based digital acculturation training sessions, with the assistance of many internal and external participants, were designed and delivered to several hundred people at **BNP Paribas Personal Finance**, **Cardif** (Digital Campus), **IFS** (Design Thinking) and also **Group HR** (Digital Booster).

New working methods and many initiatives have already been tested and rolled out across the Group and its businesses. 42 initiatives and 8 new working methods were identified: worksheets were prepared to describe the basic points and key stages of flexible and innovative methods.

With the help of digital equipment and tools, employees are spreading new uses among themselves which develop their flexibility: as a result, more than 60,000 people are now active on the Corporate Social Network and more than 70,000 employees exchange and share content remotely by means of the Group's instant messaging tool.

*(1) MOOC/SPOC: Massive Open Online Course/Small Private Online Course*

### Diversifying the sources of employee development

#### Intrapreneurship[1]

BNP Paribas considers intrapreneurship as a mechanism for creating multi-faceted value: the diversification of the sources of innovation, development of the skills of employees who increase their autonomy and confidence and propagation of a positive management approach.

**People's LAB**, the vehicle for Group intrapreneurs, supports employees in France in transforming their innovative ideas into real projects by attracting budgets and internal resources. A new promotion of 24 selected intrapreneurs, coming from 11 different businesses and functions have shared over 4 months, one day per week an innovative experience that allowed them to acquire new methodologies and improved awareness of business areas and Group strategy. They benefited from the participation of external (start-up and other corporates) and internal partners (other Group innovation schemes – the Atelier, BNP Paribas Consulting, other Business Labs).

12 projects were already transformed into new activities (digital banking, B2B marketplace, predictive machine learning service, internet of things, corporate risk prevention service, new data management service, internal intergenerational consultancy, emotional intelligence programme, etc.).

The Group has other intrapreneurial programmes such as "**Lux Future Lab**" in Luxembourg, "**TEB Intrapreneurship Program**" in Turkey or "**Home for Innovation**" which is the innovation epicentre within **BNP Paribas Fortis in Belgium.** In this idea incubator, employees are seconded full-time for four months to create prototypes of new services for customers.

#### Corporate volunteering work and other Group solidarity activities

BNP Paribas reaffirms its belief that employee development can stem from a variety of sources, including external experiences and, particularly, by enabling employees to become involved in corporate volunteering with not-for-profit organisations.

Community activities are growing throughout the Group in different ways, either corporate volunteering, pro bono, solidarity team building activities or CSR days. This year, over 10,600 employees took part in one or more activities totalling 59,179 hours of volunteering (76,922 in 2015) in favor of civil society, which were performed during working hours or the hours were made up (for further information on volunteering, see Chapter 7, part 4 – Commitment 9: *Corporate philanthropy policy focused on the arts, solidarity and the environment*).

In addition to corporate volunteering offered as part of the Leadership Talents programme at Group level and at CIB, on 2 August, **BNP Paribas SA signed a new Generation Contract** in France including a corporate volunteering component for employees at the end of their careers, in order to improve the transfer of skills and support them in their transition to retirement. This agreement became effective on 1 November. Negotiations are under way for the subsidiaries. In accordance with the 2020 HR strategy, we also entered into a partnership with "*La France s'engage*".

## MOBILITY

**There were 5,469 transfers between entities and business lines[2] in 2016, a growth of 6% (5,157 in 2015). They stood at 2,528 in France, also up by 6% compared to 2015.**

Mobility remains a major focus of human resources management practices. The Group stays mobilised to meet the high level of demand expressed by employees. The internal survey GPS showed a mobility rate of 13.9% (13% in 2015).

### Offering numerous and varied opportunities to employees is one pillar of the Group's employer value proposition

Internal mobility is the most frequent means of filling vacant positions and remains one of the cornerstones of career management, to improve collective efficiency and performance, promote employees' professional development and strengthen their commitment. BNP Paribas focuses on its cross-functional and international aspect, to offer rich and diversified careers.

The mobility principles were defined with the aim of creating a Group dynamism, whilst respecting the specific characteristics of each country. To support their deployment and underline the importance of mobility in career management, the Group held "**Mobility Days**" for the third consecutive year. In April, 30 countries organised around one hundred events aimed at promoting internal mobility: 18 mobility forums, 26 conferences and 47 workshops brought together about 250 HR staff, 300 managers and 7,200 employees, with a dedicated twitter account (#MobDays16).

With communication, an active community on mobility and an increased deployment of internal mobility tools in over 40 countries for a coverage of around 80% of the Group workforce, the number of posts published increased on average by 25% compared to 2015 and those filled internally increased by 2%.



*(1) An intrapreneur is an employee who develops, in-house, an entrepreneurial project with the agreement and support of the Company.*

*(2) Based on 87.4% of the Group's headcount.*

### TOTAL NUMBER OF POSTS PUBLISHED AND POSTS FILLED INTERNALLY

| | 2015 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Number of posts published | Posts filled internally | % posts filled/ posts published | Number of posts published | Posts filled internally | % posts filled/ posts published |
| France | 4,994 | 2,217 | 44% | 5,405 | 2,515 | 47% |
| Belgium (BNP Paribas Fortis) | 1,369 | 578 | 42% | 591 | 240 | 41% |
| Italy | 108 | 13 | 12% | 97 | 16 | 16% |
| Luxembourg (BGL BNP Paribas) | 282 | 188 | 67% | 300 | 149 | 50% |
| United Kingdom | 1,011 | 351 | 35% | 931 | 307 | 33% |
| Ukraine | 1,524 | 660 | 43% | 2,361 | 793 | 34% |
| Poland (BGZ BNP Paribas) | 1,027 | 347 | 34% | 1,214 | 229 | 19% |
| Turkey (TEB) | 213 | 56 | 26% | 249 | 109 | 44% |
| United States of America (BNP Paribas CIB) | 540 | 161 | 30% | 834 | 116 | 14% |
| Other countries (Algeria, Spain, Morocco, Portugal, Senegal, Switzerland, etc.) | 1,184 | 408 | 34% | 3,307 | 501 | 15% |
| **TOTAL** | **12,251** | **4,872** | **40%** | **15,289** | **4,975** | **33%** |

*Source: Steering center e-jobs, countries' declarations concerning Taleo in 2016 in all countries, for all posts filled solely internally except Ukraine (and other internal local mobility tools for 2015).*

**In France**, mobility plays an important role in career management and skills development. The three principal mobility challenges are:

- a corporate development challenge: mobility is a preferred means for adapting the Company's human resources to its developing employment and skills requirements;
- an individual development challenge by developing employees skills and allowing them to build a motivating professional career;
- the challenge of social responsibility by contributing to responsible employment management.

The Executive Committee confirmed its commitment by means of 10 mobility principles which reinforce the consistency and commitment of all stakeholders affected.

In France, **BNP Paribas** signed the employment management agreement signed on 28 January 2016 which consolidates the principles of the Group's employment policy in France. It emphasises respect for the employment agreement made possible by a number of schemes.

As part of its Momentum Plan for internal mobility and voluntary departures, **CIB** has, since September, reinforced its global scheme to support internal mobility with two new measures: Job Solutions, for internal transfer or voluntary departure, and Your Mobility, for an opportunity to convert to project management roles offered to CIB employees whose posts are affected by the transformation plan.

# 7.4 Civic responsibility: being a positive agent for change

BNP Paribas is a committed participant in society: it starts and participates in numerous actions 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 support Human rights;
- Commitment 9: A corporate philanthropy policy focused on the arts, solidarity and the environment.

## COMMITMENT 7: PRODUCTS AND SERVICES THAT ARE WIDELY ACCESSIBLE

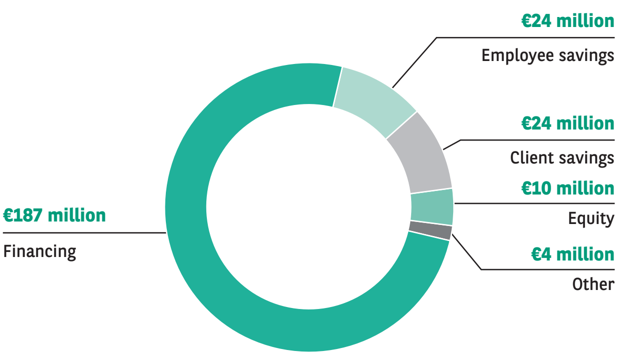
The Group aims to improve the outreach of financial products and services, since financial inclusion is an important driver of economic development.

This financial inclusion approach is supported by a strong commitment of the Group towards financial education. Indeed, in order to use financial products and services responsibly and independently, consumers must be able to understand them and compare them.

### GROUP SUPPORT FOR MICROFINANCE

Given the financing and services that the Group offers to microfinance institutions (MFI), BNP Paribas is considered as a committed participant in this sector, alongside specialised funds and multilateral organisations. In 2016, the Group's overall support of microfinance stood at EUR 248 million, up by 18% compared to 2015.

➤ **BNP PARIBAS SUPPORT FOR MICROFINANCE AS OF 31 DECEMBER 2016**




The progress observed in 2016 came in particular from low income countries (Colombia, China, Ivory Coast, India, Indonesia, Morocco, Senegal, Tunisia, Vietnam), with loan commitments of EUR 109 million at end 2016 (+22% compared with end 2015).

BNP Paribas is one of the leading banking partners of the main European microfinance players as Adie (*Association pour le Droit à l'Initiative Économique*) in France, PerMicro in Italy, Microstart in Belgium and MicroLux in Luxembourg.

- In **France** during 2016, the Group structured for Adie the first French Social Impact Bond for an amount of EUR 1.3 million (see *Social impact bonds: new financial innovation tool*, Commitment 1).
- In **Belgium,** Microstart, created by **BNP Paribas Fortis** with Adie International, opened up the capital to Partena Professional which invested EUR 1.6 million in equity. The Belgian MFI has also developed a partnership with Babyloan, the 1st crowdlending site for microfinance in Europe. Furthermore, BNP Paribas Leasing Solutions launched in 2016 a new microleasing product developed with Microstart.
- In **Italy**, PerMicro, the country's first MFI, which BNL finances and holds at 20%, has worked on measuring its social performance since inception thanks to a study undertaken by l'Università Politecnico di Milano. This study shows that 51% of the customers obtained financing from "traditional" banks in the first three years after obtaining their first microcredit and that the microcompanies financed by PerMicro generated EUR 12.4 million income in addition to EUR 3 million savings for the Italian state administration. Lastly, in December 2016, PerMicro became one of the first microfinance institutions to obtain the internationally recognised BCorp seal.
- In **Luxembourg**, in 2016, BGL BNP Paribas founded MicroLux, the first microfinance institution in Luxembourg. As the majority shareholder with an 83.3% stake, the Bank is involved at several levels, in particular through its branch network which directs some of its customers to the MFI.
- In **Indonesia**, the Group has conducted a social impact study with HEC students concerning one of the financed MFIs, Komida. The study showed, in particular, their female customers (the MFI only lends to women) have increased their income two-fold, rising from 81 to 161 euros per month, after only 4 microloans.

- In **India**, where the microfinance needs are huge, since the country represents 41% of the world's micro-borrowers, the Bank supports the growth and the strengthening of the sector. Its loan commitments thus increased in three years from EUR 6.6 to 51.8 million to 14 supported institutions, 4 of which were new in 2016. All the MFIs supported by the Group in India exclusively address women.

Lastly, BNP Paribas takes part in several investment initiatives designed to develop, professionalise and empower the microfinance sector in all areas of activity.

## ACCESS TO FINANCING AND INSURANCE

### Access to loans for individuals on temporary work contracts

**Cetelem** continues to develop targeted offers, for people experiencing problems obtaining loans through the traditional banking system. An offer for employees with temporary work contracts in particular was launched in 2016 in the Czech Republic, Portugal, Spain and Italy.

### Access to insurance and saving

**BNP Paribas Cardif,** in several countries, continues to improve access to insurance for communities with a high health risk, by simplifying the pricing applied based on the client condition. For example, a product designed for people who experience problems finding insurance when they are in hospital or who have undergone an operation has been implemented in **South Korea.**

Insurance accessibility for BNP Paribas Cardif also involves simplifying contracts: 25% of countries use "plain language" (see *Ethics of the highest standards*, Commitment 2).

In **Indonesia**, the government has made financial inclusion one of its priorities, the ability to save and invest playing a major role in reducing poverty. **BNP Paribas Investment Partners** became the first asset manager to propose an offer enabling access to funds via mobiles: thanks to its app saving has become accessible for the majority of the people.



## 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.

### Customers with disabilities

In **Belgium**, BNP Paribas Fortis continues to strengthen the actions implemented since 2012.

213 of its branches in 2016 (compared with 132 in 2015) are deemed "accessible to people with reduced mobility" (corresponding to more than one branch out of four). The Bank is the first company in Belgium to have received the 'Disability Matters Europe', prize, which rewards businesses providing the best accessibility to the disabled.

In **Italy** the disabled are supported by BNL in different ways: the hearing-impaired can communicate with the bank's employees thanks to the Pedius mobile application via a voice recognition system: in 2016, the platform enabled 60 calls to be answered. Furthermore, the 275 new BNL branches, i.e. 35% of all branches, are accessible to people with reduced mobility and almost all cash points (ATM) are now ADA (Americans with Disabilities Act) certified, which certifies the highest level of accessibility.

**Bank of the West** satisfies the ADA standards when building and refurbishing branches and cash points. Their maintenance and renovation continually ensures that all the structures satisfy the strictest standards: in 2016, the emphasis was placed on door pressure tests, access to car parks and replacing Braille keys when necessary.

### 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. The Bank supports its customers at key points in their lives and continues to do so during difficult periods associated with material changes, unforeseen expenses, health issues or difficulties in budget management.

**Retail Banking in France** has implemented several prevention and support mechanisms for its customers experiencing difficult situations. Its centres specialising in budget solutions help customers in difficult times, by seeking with them a bank solution designed to restore their financial situation. In addition, a partnership with the CRESUS association was widely deployed in 2016 to ensure that customers requiring a more specific type of guidance are supported. CRESUS provides them with long-term personalised budget and social help, to show them how to manage their personal finance in a balanced manner and to overcome complex, work-related or family-related situations: over a hundred customers benefited from it in 2016.

Furthermore, BNP Paribas is a stakeholder in the experiment conducted by the public authorities aimed at implementing a Budget Advice Point network. Lastly, the Bank is a member of the "*Observatoire de l'Inclusion Bancaire*" (Banking Inclusion Observatory) chaired by the Governor of the *Banque de France*.

Since 2010, **Cetelem** has invested in a tool for the detection of early warning signals as to the vulnerability of its customers in order to be able to contact and advise them before their situation deteriorates. This proactive approach facilitates the identification of customers in potentially difficult situations. They are sent a letter inviting them to contact a specialised team for a preliminary interview to assess the financial health of the household. If the difficult situation is confirmed, Cetelem may offer the household an internal solution such as a pause in repayments, or debt restructuring to balance the budget over the long-term. In the 10% of cases with the most sensitive situation, Cetelem refers them to the CRESUS association, with which it has jointly created a customised support mechanism. All marketing efforts are suspended for customers who are deemed to be experiencing difficulties, and they are offered an educational programme to assist them with budget management. Thus, in 2016, 8,464 customers benefited from a complete budget analysis proposed by Cetelem; 40% revealed areas of weakness and were provided with personalised assistance.

Lastly, **BNP Paribas Leasing Solutions** offers flexible leasing solutions for its customers experiencing cashflow problems due to unforeseen events. This was for example the case of milk producers in **Germany** who were granted a grace period during the milk crises, or victims of the earthquakes in **Italy**, whose repayments have been suspended for 6 to 12 months and who have been offered loans at subsidised rates.

## FINANCIAL AND INSURANCE EDUCATION FOR CONSUMERS

Financial education has demonstrated its effectiveness in combating excessive indebtedness and encouraging economic growth. In 2016 again, BNP Paribas employees committed themselves strongly to this cause by helping to design educational content and tools or by training the public.

In 2016, over **492,000 people were able to access these programmes** (483,000 in 2015), not only in domestic markets but also in Poland, Brazil, Morocco and Hawaii.

### Numerous programmes targeting young people as a priority

- In **France**, the partnership of **BNP Paribas Cardif** with the "*Entreprendre pour Apprendre*" (EPA) association has been renewed: 85 employees, 31 more than in 2015, decided to help micro-companies during the school year; organizing open innovation days concerning "insurance and youth" dedicated to entrepreneurs: they enabled students from the Ferrandi, ESG and IFAG schools to work on risks related to health, mobility and housing.
- In **Italy**, 153,000 students, including 130,000 primary school students, benefited from **BNL's** "EduCare Scuola" programme.
- In the **Czech Republic**, **BNP Paribas Personal Finance** spoke about cybersecurity (the 2016 theme of the "Bankers go to school" campaign organised by the Czech Banking association) to secondary school children. In **Italy**, 40,000 students in 1,400 participating schools were made aware about responsible borrowing thanks to the "Per Corsi Young" **BNP Paribas Personal Finance (Findomestic)** programme. In the **United Kingdom**, BNP Paribas Personal Finance also renewed its support for the financial education programmes of its partners, the Grace Academy and the Greater Birmingham Professional Services Academy.
- In **Morocco**, for the fifth consecutive year of the Financial Education Week for children and young people, **BMCI** enabled 7,000 schoolchildren to benefit from lessons in 47 towns and cities, thanks to the involvement of 94 branches.
- Employees from branches of the **First Hawaiian Bank**, took part in "Teach Children to Save", during Financial Literacy Month. They gave lessons about savings in 13 schools to students from low-income families.

### Initiatives designed for women

The Group's entities have developed specific actions for women in order to encourage them to envisage a career in finance.

- In **Brazil** for example, BNP Paribas organised the first Brazil Women Forum, focusing on the role of women in the financial industry.
- In **South Africa,** where very few women work in the financial sector due to cultural obstacles, **BNP Paribas South Africa** has launched a programme dedicated to underprivileged women. It provides excursions, network events, meetings with female role models to create inspiration and show them possible career paths, particularly in finance, after higher education.

### Programmes targeting people with disabilities

- In **Poland**, **BGZ** proposes access to financial education through the Finance Without Barriers programme for people with a disability, who have a greater risk of financial exclusion. These individuals can find lessons and educational games accessible on free internet platforms.

# COMMITMENT 8: COMBAT SOCIAL EXCLUSION AND SUPPORT 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 in favour of promoting Human rights continues to gain strength.

## COMBATING SOCIAL EXCLUSION

### *"Projet Banlieues"*: a programme designed to combat social exclusion

For over 10 years, the BNP Paribas Foundation and the Retail Banking Division in France (FRB) have been combating all forms of exclusion within the framework of "*Projet Banlieues*".

In 2016, the BNP Paribas Foundation devoted a budget of more than EUR 3 million to continue its support for associations working in underprivileged areas working on three areas of focus: the fight against school failure via Afev, access to employment through microloans via Adie and the support of local associations working together to improve well-being in underprivileged areas; a series of measures to fight against the different forms of exclusion in sensitive urban areas.

- Within the framework of ongoing agreements, in 2016 the BNP Paribas Foundation gave **Adie** and **Afev** grants of EUR 1.25 million and EUR 200,000 respectively, while maintaining the *Odyssée Jeunes programme* (see also corporate philanthropy policy focused on the arts, solidarity and the environment, Commitment 9). Lastly, **51 local associations** spread across ten different regions have received backing of a total amount of EUR 430,000: 51% of the local projects supported concern the improvement of living together, 25% education and 24% inclusion for employment.
- Among the many examples in the field, this assistance made it possible to continue in 2016 to support, for a further three years, the Seine-St Denis-based association: "Jean-Luc François". This support will enable young creative talents working in the fashion world to draw upon an incubator providing them with the advice and the use of a garment factory while also enabling the association to develop its activity and reputation through renovating its website.

- Another flagship initiative in 2016 was the creation of 17 "*Entreprises & Quartiers*" clubs by the BNP Paribas FRB business line. Comprised of regional Bank managers (group branch managers, corporate business centre managers and small business advice centre managers) in addition to corporate customers interested in civic responsibility, the aim of these clubs is to connect these businesses with local associations already supported as part of the "*Projet Banlieues*", to help them raise even more funds. 60 SMEs and Medium-Sized Businesses have already committed themselves to this programme.
- Lastly, within the framework of the "Entreprises & Quartiers" charter which links the French State with the companies in the CAC 40 index, BNP Paribas committed in 2013 to promote social inclusion in sensitive urban areas by targeting in particular more young people who have underachieved at school and people experiencing problems finding employment. Since then, driven by the prefects of French regions and prefects in charge of equal opportunities, this charter has been adapted at the level of Departments. They bring together concrete actions promoting underprivileged areas; actions mainly inspired by the Projet Banlieues which celebrated its tenth anniversary in 2015. To date, BNP Paribas has signed 33 agreements including twelve in 2016.

### Other initiatives designed to combat social exclusion

Other initiatives have been set up within the Group to combat social exclusion, in particular:

- After the Solid'Office project which provides vacant office space, BNP Paribas Real Estate has extended this commitment to support jobseekers by collaborating with Pôle Emploi and Cojob to enable them to benefit from support and guidance services (individualised guidance for finding employment, collaborative workshops, etc.).
- The Group strengthened its actions to give disabled persons easier access to its services (see *Providing assistance to customers at risk,* Commitment 7).
- Moreover, with regard to choosing its suppliers, the Group is seeking to begin consultations with companies operating in the Protected and Adapted Employment Sector.

## BNP PARIBAS IS COMMITTED TO RESPECTING HUMAN RIGHTS

BNP Paribas complies with the internationally recognised standards concerning Human rights. The Bank ensures that these rights are respected in all its activities, in all the countries in which it operates and in its relations with its employees, supply chain, customers, and the communities in which it operates.

BNP Paribas supports the United Nations Guiding Principles on Business and Human rights, in accordance with the "Protect, Respect, Remedy" framework.

The Bank recognises its own responsibility as an employer, provider of financial services and purchaser. Its objective is to ensure that, under no circumstances, shall it be involved in Human rights violations, either directly or indirectly. Furthermore, as proof of its commitment and determination, BNP Paribas has chosen to follow the recommendations set out in the UN Guiding Principles Reporting Framework launched in February 2015.

### Commitment at the highest level

In 2012, the Group's Executive Management signed the BNP Paribas' Human Rights Declaration committing the organisation to ensuring the respect of Human rights within its sphere of influence which includes employees, suppliers, customers and communities. The Group thus takes Human rights criteria into account in its choice of countries of operation. In addition, among the nine CSR Monitoring Indicators (2016-2018 indicators) used in the calculation of the deferred variable compensation of the Group's top 5,000 managers (see *Our Corporate and Social Responsibility Strategy*), two of them are related to Human Rights: the percentage of women among the members of cross-functional executive committees across business lines and/or countries and the percentage of employees contributing directly to the promotion of human rights who have received specific training.

### The importance of indirect impacts

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 to the financial sector. In fact, the financial sector's potential impacts on Human rights are mainly indirect (i.e. they stem from the activities of customers or companies in the banks' portfolios). 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. Against this backdrop, it published its latest analysis in January 2017: the document proposes a conceptual framework to help better understand the meaning and scope of Principle 13 in the world of Corporate and Institutional Banking (also called CIB). Moreover, it also focuses, in this context, on the "due diligence" process (or reasonable diligence) specified by Principle 17. It is available on the following website: https://business-humanrights.org.

### Identifying "salient"(1) Human Rights issues for BNP Paribas

The Group focuses its action on the most salient issues for banks and financial institutions. According to the UN Guiding Principles Reporting Framework, salient issues are those which present the most risks in the Company's activities or in its business relations. BNP Paribas has identified four salient issues:

- two stemming directly from its activities: the right of access to financial services and the right to privacy (protection of customers' personal data);

(1) *The French word "saillant" is directly translated and borrowed from the English term "salient" used by the writers of the Principal Guidelines of the United Nations Reporting Framework.*

- two stemming from the activities of customers or companies in its asset portfolio: workers rights and the rights of local communities.

These issues were identified through a combination of different sources:

- an internal procedure was conducted to identify all direct Human rights risks (employees, retail customers and suppliers), as well as indirect risks on the Group's loan portfolio;
- the Bank took part in several working groups (Thun Group, Businesses for Human Rights (EDH), Global Compact Advanced Club France, UN Business and Human Rights Forum, etc.) and has taken the opinions of stakeholders into account.

### Dialogue with stakeholders

An increasing number of stakeholders are calling for more transparency and discussions on the consideration of Human Rights by companies. To this effect, BNP Paribas, a signatory to the "Guiding principles for constructive dialogue with stakeholders" of the Comité 21 in 2015, gives great importance to dialogue with its stakeholders (see *Fostering dialogue with stakeholders*, Our Corporate social responsibility strategy).

### Grievance mechanisms

The BNP Paribas Group recognises the importance of having grievance mechanisms in place in order to provide or allow remediation in the event of negative impacts on Human rights due to its activities or business relations.

### Training

Insofar as the Group ensures that it is not involved in any violation of Human Rights as a result of its investment and financing business, it focuses on employee training, a key strand of a holistic risk management approach.

Founder member of an association called "Businesses for Human Rights" (*Entreprises pour les Droits de l'Homme*, EDH), BNP Paribas has circulated **"a Guide for the evaluation of risks associated with Human Rights for managers"** to all its CSR Managers. The Group has also contributed to developing an online awareness module called "Understanding and integrating Human rights in companies", lasting 30 minutes. Designed for its employees and those of the companies belonging to the association, this module supplements the Group's programme and is included in its training catalogue. It is now mandatory for employees who, as part of their activity, might identify potential risk of violations of Human Rights (CSR network, Risks, Procurement, Sales Managers of the BNP Paribas CIB entity). E-learning was launched in 2016 first to a reduced group of employees. Thus 13% of the total target headcount has already been trained, with the objective being to reach the 80% mark by 2018. In addition to this population, for which it is compulsory, e-learning is accessible to all of the Group's employees.

### Management of direct salient risks

#### Right of access to financial services

The Group considers that sustainable economic development promotes wider access to fundamental rights. This is why **it places emphasis on access to financial services in the communities where it operates,** clearly asserting its will to contribute to it. This access is a salient challenge for the Group for several reasons: it can be considered as a risk for the customers affected (financial illiteracy, over-indebtedness, etc.) and for the Bank (loan defaults, image risk, etc.). However, it can also represent a genuine opportunity for all stakeholders through financial education, customers learn about the benefits of savings and budget management. Through its specific products and services for the most vulnerable members of society, BNP Paribas endeavours to protect its customers from over-indebtedness and dependence, making banking services accessible to those who do not have access to traditional financing and products. This is borne out by specific measures for customers in vulnerable situations due to financial situations or disability, and facilitates their access to banking services, in particular by providing public training on financial issues and developing dedicated offers of products and services (see *Products and services that are widely accessible*, Commitment 7).

Alongside these different initiatives, the Group has been engaged in stakeholder consultations: consumer associations, family associations, charities, institutions, etc., concerning the Bank's products and businesses.

Such is the case for BNP Paribas Personal Finance concerning personal loans, for example. Since 2010, regular working groups enable completely transparent dialogue, sometimes involving rival views, facilitating planning relating to the necessary developments in credit offers and practices.

#### Right to privacy

In keeping with BNP Paribas' wish to be exemplary in the protection of customers' private data, its general **policy regarding private data protection** is applicable in all the entities and countries where the Group operates. It prevails over local rules whenever these are of a lower requirement level and commits the Group to:

- informing customers in the event of changing policies or data theft;
- limiting the collection of data to essential personal information;
- clearly stating how the personal data will be used;
- ask for the 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.

## Management of indirect "salient" risks

The Group uses its influence to strongly encourage its customers and the companies with which it has business relations to manage their own activities in the respect of Human Rights. It also commits to identifying, evaluating (due diligence process), monitoring and helping to improve the current and future performance of its customers in sensitive sectors in order to avoid negative impacts to Human rights in their operations or supply chain.

**BNP Paribas has developed its own system to identify indirect risks related to Human Rights**: it enables the Bank to identify and assess the risks related to Human rights in its loan portfolio. The objective methodology adopted is based on the "impact" (from the point of view of rights holders) and "probability of occurrence" of the risks. This tool is useful in three respects: identifying Human Rights risks; allowing the mapping of the priority risks to which BNP Paribas is currently exposed in its portfolio; assisting managers in their decision-making concerning financing and investment and helping the Risk teams in their specific due diligence procedures (see the measures set up to fully cover the Group's extra-financial risks, including Human Rights risks in *Systematic integration and management of Environmental, Social and Governance risks*, Commitment 3).

### Workers' rights

The procedure initiated in 2015 to identify indirect risks to Human Rights in the **Group's loan portfolio** has revealed that workers' rights are a salient issue. This topic involves various aspects, many of which have already been covered by the Group's ESG risk management systems and policies.

The Human Rights criteria of six of the **CSR policies** on financing and investment in sensitive sectors (see *Due diligence and dialogue* hereafter) deal with issues linked to Workers' rights, in particular child labour and forced labour, workers' health and safety, freedom of association. These issues are also factored into projects coming under the scope of the Equator Principles.

➤ **SUMMARY TABLE OF THE CRITERIA CONCERNING WORKERS' RIGHTS**

| | Forced labour/Child labour | Health & safety policy/ Health & safety history | Human resource policy | Freedom of association | Non-discrimination | Complaints and concerns mechanism |
|---|---|---|---|---|---|---|
| Agriculture | X | X | X | X | X | X |
| Mining | X | X | | | | |
| Paper pulp | X | X | | | | |
| Oil sands | X | X | | X | X | X |
| Coal-fired power generation | X | X | | X | X | |
| Palm oil | X | X | | | | X |

As presented in *Systematic integration and management of Environmental, Social and Governance risks* (Commitment 3), "CSR Screening" used for **the CIB Large Corporate Clients** currently covers 10 business sectors. The nature of the risks identified for workers is specific to each sector.

In order to manage this type of risk in its **sub-contracting chain**, BNP Paribas includes specific questions aimed at addressing issues such as child labour and forced labour in the calls for tenders concerning sensitive procurement categories, such as promotional items (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. Thus, the Human Rights criteria of six of the CSR policies regarding financing and investment in sensitive sectors take account of local community rights issues:

### SUMMARY TABLE OF THE CRITERIA CONCERNING THE RIGHTS OF LOCAL COMMUNITIES

| | Transparent communication, accessible (language) and adapted to the local culture in the dialogue with the affected communities | System for consultation with communities and formal public commitment | Mechanism for making claims and compensating local communities | "Free prior and informed consent" of local communities | Action plan related to land-grabbing and displacement of local communities | Plan for the rehabilitation of the impacted site | Contribution directly to the improvement of infrastructures benefiting to communities |
|---|---|---|---|---|---|---|---|
| Agriculture | X | X | X | X | X | | |
| Mining | X | x | X | | X | X | |
| Paper pulp | X | X | X | X | | | |
| Oil sands | X | X | X | | | X | x |
| Coal-fired electricity generation | | X | X | | | | |
| Palm oil | X | X | X | X | | | |

*Note: The "free prior and informed consent" (FPIC) includes the three progressive and complementary levels "of obligations" of the Group vis-à-vis local communities: communication, consultation and compensation.*

In the "CSR Screening" tool, a risk category covers the health and safety of local communities for certain sectors, while another covers "Human rights" in a more general way.

## 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). Here are three noteworthy examples:

- A public health position: **smoking** has been recognised by WHO as one of the biggest causes of avoidable death worldwide. Considering that its customers in the tobacco industry have an important role to play in terms of minimising the risks related to producing and consuming tobacco, BNP Paribas adopted a public position in 2016 on this issue urging them to apply the best international practices. Furthermore, the BNP Paribas public position addresses the specific risks for Human rights in relation to growing tobacco leaves, in particular child labour.
- In April 2016, a network of Non-Governmental Organisations accused BNP Paribas of financing a company supposedly involved in serious **violations of human rights** in Latin America. The Group responded in a transparent manner about the history of its relationship with the Company in question: in 2010, a loan had been granted to it. In 2012, the Company's request to have the loan renewed was refused. In 2014, the Group decided to stop all financial backing to the Company, after its licences had been suspended.
- In 2015, in response to a lack of transparency observed during clinical trials, the BNP Paribas Investment Partners ISR Research team suggested to investors to call on pharmaceutical laboratories to publish the results of all their **clinical trials** and continued doing so in 2016. Today, over thirteen companies have agreed to make the data of each patient tested available to researchers and other stakeholders. This data is recorded on a common platform whose access is managed by an independent intermediary. These results illustrate the beneficial leverage that investors have when it comes to promoting best practices in their portfolio companies.

# 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 the daily activities of its business lines, but also in its philanthropy activities, which involve increasingly large numbers of employees throughout the world.

## A STRUCTURED AND INCLUSIVE PHILANTHROPY POLICY

Through its international dimension, the BNP Paribas Group develops a structured philanthropy policy, which is both global and respectful of the local dimension of the initiatives implemented by the countries in which it operates.

The BNP Paribas Foundation coordinates this commitment around three areas of application:

- Solidarity: combating exclusion and discrimination; fostering employee volunteering; supporting education and professional integration;
- Arts: fostering the performing arts; preserving and enhancing cultural heritage;
- Environment: supporting programmes aligned with the Group's CSR policy to promote research on climate change (see *Advance awareness and sharing of best environmental practices*, Commitment 12).

### Structured governance

BNP Paribas' corporate philanthropy involves 13 foundations or funds, as well as directly managed initiatives. In 2016, the Group had:

- 1 historic foundation: the BNP Paribas Foundation, under the aegis of Fondation de France, which ensures that the Group's Corporate Philanthropy is coherent. It is chaired by Michel Pébereau;
- 9 country-based foundations: in Germany, Belgium, Brazil, Bulgaria, Italy, Morocco, Poland (stemming from the BGZ-BNP Paribas merger), Switzerland, United States (First Hawaiian Bank Foundation);
- 1 brand-based foundation: Fondation Cetelem;
- 1 "Rescue & Recover" endowment fund, dedicated to victims of humanitarian disasters;
- 1 regional endowment fund: BNP Paribas Banque de Bretagne endowment fund.

Furthermore, BNP Paribas' philanthropy efforts are reinforced by programmes initiated by the Group's entities and business lines throughout the world:

**BNP Paribas philanthropy in 2016:**

Every year, the BNP Paribas Foundation collects the facts and figures concerning BNP Paribas' philanthropy efforts via a web platform. In addition to that function, the PHI platform is accessible to the public: http://dataphilanthropy.bnpparibas.com.

In 2016, the BNP Paribas philanthropy budget of EUR 40.44 million was broken down as follows:

- 66.5% for solidarity;
- 27.3% for the arts;
- 6.2% for the environment

### Solidarity

The solidarity actions of the BNP Paribas Foundation and corporate philanthropy players of BNP Paribas throughout the world focus on five areas:

- supporting education initiatives;
- contributing to integration efforts through, for example, the *Projet Banlieues* (see *Combat social exclusion and support Human rights*, Commitment 8);
- participating in the fight against poverty in particular with the "*Restos du Cœur*" (foodbank network) and Paris Samusocial;
- supporting the employees' commitment through the "*Coup de Pouce*" (Helping Hand) programme;
- expanding international solidarity initiatives such as the Dream Up initiative.

In the field of **education**, the BNP Paribas Foundation continued its financial commitment with two longstanding partners in 2016:

- **Afev**, whose development the BNP Paribas Foundation has been supporting for more than 15 years. This constantly growing association recruits volunteer students who undertake to help children living in "*zones d'éducation prioritaire*" (ZEP) [Priority Education Areas] with their schoolwork. Today, 7,000 students oversee 7,000 primary and secondary schoolchildren. The Foundation works alongside Afev on day-to-day activities as well as with its growth, based on a reinforced presence on the ground in addition to providing its teams with training and helping them become more professional. In 2016, Afev developed the "*Volontaires en résidence*" offering: young people fulfilling their civic service obligation are involved throughout the school year in a priority educational establishment, 8 hours to 24 hours per week, as part of a project built with teams of teachers. Moreover, Afev is continuing to develop its "*Kolocations solidaires*" programme:

400 young volunteers in 15 French towns and cities live in shared accommodation and interact with residents in working-class areas. Lastly, in 2016, the 9th Afev "*Journée nationale du refus de l'échec scolaire*" (National Educational Underperformance Day) focused on the theme of "digital against inequality".

- **Proxité,** which has been a Foundation partner for 12 years, is an association dedicated to helping young people be successful and reinforcing social cohesion by putting in place trust-based relationships and organising meetings between young people and professionals. The BNP Paribas Foundation's support will amount to EUR 40,000 per year, from 2015 to 2017. In 2016, 700 young people were sponsored in comparison with 400 in 2015. Proxité also began a national deployment programme with the launch of satellite centres in Toulouse and Lille Métropole as well as beginning studies with regards to opening others in Rennes and Nice. In addition, this partnership encourages the Group's employees to undertake voluntary work. Lastly, the relations between Proxité and the BNP Paribas Foundation result in positive synergies with other associations such as AFEV or the Fondation de France.

In 2016, the BNP Paribas Foundation also continued with two of its flagship programmes, launched in 2009 and 2015 respectively:

- **Odyssée Jeunes** (EUR 1 million/year), is a programme of the Seine-Saint-Denis Department Council, DSDEN (*Direction des Services Départementaux de l'Éducation Nationale*) and the BNP Paribas Foundation, Its aim is to support school trips organised by secondary schools in Seine-Saint-Denis (93). In 2016, 2,632 schoolchildren benefited from one of the 61 trips organised. The school year finished in style with an innovation shared by the children: a public speaking competition, made possible through training young people in public speaking, delivered by a specialised local association.
- **Dream Up.** Launched at end 2015, Dream Up is an international solidarity programme. It promotes education through the artistic performance (music, theatre, dance…) of young people suffering from social or educational exclusion, difficulty or disability, across five continents. 28 projects initiated by local associations, chosen on the basis of the fit between their activity and the Dream Up programme, are in progress in US, Europe, and the APAC and MEA regions. Each project irrespective of the country receives a grant of EUR 20,000 per year for three years amounting to an overall budget of over EUR 1.5 million. Dream Up aims to combat the various forms of exclusion, foster equal opportunities, enable young people to become aware, through performing an art, of their own creative potential. As a result, almost 10,000 young people throughout the world were able to express their talent in 2016.

Some of the different initiatives rolled out on an international level are focused more particularly on talented students. This is the case of:

- **Klasa**, a programme developed by the BGZ BNP Paribas Foundation in order to guide talented schoolchildren towards becoming independent. It is aimed at young people who achieve outstanding results at school, but who come from low-income families living in small remote towns. Without this philanthropy, they could not expect to study for extended periods of time in the major universities. The schoolchildren and students receive support for three years to ensure their independence and employment. Since 2003, 600 students have benefited from this programme. Former students helped by Klasa include legal advisors, journalists, bankers and even astronomers!

**Aid for refugees: an operational budget of EUR 5 million in 2016**

In 2015, more than a million refugees and migrants fled warfare, persecution and/or extreme poverty to settle in Europe. This humanitarian disaster had a considerable impact on the members of BNP Paribas Executive Committee which, on 5 September 2015, announced its intention to provide aid of EUR 5 million to help refugees in Europe. The programme started up in 2016. The sum was divided between BNP Paribas Germany, Austria, Belgium, Spain, France, Italy, Luxembourg and Poland in order to support local actions.

In total, almost 62,000 refugees, of whom nearly 80% were in Greece, benefited from these different forms of support. The huge impact of actions in Greece was made possible thanks to the significant BNP Paribas Foundation aid given to the UNHCR; this follows on from the assistance it provides in France to the three major players in the humanitarian world namely, the UNHCR, the *Apprentis d'Auteuil* and Paris Samusocial.

Coming mainly from Africa (Somalia, Mali, Cameroon, Nigeria, Democratic Republic of Congo, Eritrea and Sudan) and from the Middle East (Syria, Iraq, Afghanistan, Iran and Lebanon) as well as Eastern Europe (Armenia, Chechnya and Crimea) and Asia (Pakistan and Tibet), the majority of these refugees are single men or children by themselves.

Three areas of intervention of the NGO and partner associations were chosen: emergency aid, inclusion, and education. In some countries (Belgium, Germany, Luxembourg and in France with the FRB Division), employees volunteered to take part in the various initiatives undertaken.

Given how the situation has developed, the Bank has decided to extend its action by allocating an additional EUR 3 million to this programme in 2017 and 2018.

## Arts

Because the arts are a source of individual and collective development as well as a social necessity, BNP Paribas attaches special importance to its support, in all its diversity:

- **Previews at the *Opéra*.** Patron of the Opéra national de Paris since 2004, the BNP Paribas Foundation supports the policy of assisting young audiences, enabling them to discover its lyrical and choreographic repertoire. In 12 years, 1.5 million young people have attended performances. In 2016, the Foundation renewed its 2015 commitment to support the attendance of Previews of 13 shows for young people under 28 at a single price of EUR 10 representing, for three seasons, a philanthropy budget of EUR 600,000. During the 2016/2017 season, 25,000 young people will be able to attend 13 previews at l'*Opéra national de Paris* (Garnier and Bastille).

- **Cultural heritage.** For over 20 years, the BNP Paribas Foundation has been a patron of restoring works of art in museums in France and abroad. In 2016, the Foundation supported the restoring of seven sculptures displayed in the gardens of Sungkok Art Museum (Séoul). This preservation campaign helped celebrate the 40th anniversary of BNP Paribas operating in South Korea.
- **30 years of the *"Maison de la danse".*** In 2016, the BNP Paribas Foundation and the Maison de la danse in Lyon celebrated 30 years of partnership supporting new creations and artists. The Maison de la danse in Lyon has become a key stage for contemporary dance and circus in Europe. In addition to its artistic dimension, this institution develops a policy of "Culture for Everybody". Similarly, over 30 years, more than 20,000 people – BNP Paribas employees, customers and partners have been invited by the Foundation to discover the highlights of contemporary creativity 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 financial support or help with the mobilisation of an increasing number of employees.

### Backing the generosity of employees

Whether through the "Coup de Pouce" (Helping Hand) programme or through the Rescue & Recover endowment fund, BNP Paribas backs its employees' commitment with donations to support community organisations.

#### Helping Hand ("Coup de pouce"): an international programme involving twenty countries

Launched in France by the Fondation BNP Paribas in 2003, Coup de Pouce supports solidarity associations in which its employees personally volunteer to work.

Boosted by its success in France, the "Coup de Pouce" programme has now been introduced in Algeria, Belgium, Spain, Guinea, Italy, Luxembourg, Morocco, Portugal, Singapore, Switzerland, Tunisia, United States of America and also in the Asia-Pacific region. Brazil joined them in 2016 with the launch of "Mao Amiga".

Thus, in 2016, 296 projects received grants for a total amount of just over one million euros.

#### "Rescue & Recover" endowment fund: 4 years of campaigning

The "Rescue & Recover" endowment fund, which celebrated its fourth anniversary in 2016, is a means of collecting donations, which makes it possible to react quickly and efficiently in the event of a humanitarian disaster. Furthermore, whenever an employee, a Retail Banking customer in France or a senior who is a member of the ADR (Association Des Retraités) makes a donation through this fund, BNP Paribas matches the amount before transferring it to its partner associations: CARE, the French Red Cross and *Médecins Sans Frontières* (Doctors without borders).

2016 was marked by intervening action during the natural disasters end August in Italy and in October in Haiti. The fund enabled the Italian Red Cross to provide first aid to the victims of the earthquake in Italy by donating more than EUR 200,000. Then, through a campaign with its donors, the fund was able to share out on an equal basis the sum of EUR 175,000 between CARE, Médecins Sans Frontières and the French Red Cross, to support their work in communities affected by Hurricane Matthew in Haiti.

BNP Paribas United Kingdom enabled, for the 4th consecutive year, its employees to donate part of their annual bonus to the fund. In 2016 a total of EUR 585,000 was collected, thanks to the generosity of the donors and BNP Paribas. In the space of four years, over EUR 2.6 million has been raised for the partner associations.

### Offer volunteering assignments to employees

Dedicated associations, solidarity events, etc., BNP Paribas puts in place numerous actions to favour the commitment of the Bank's employees and seniors throughout the world.

#### Fostering volunteer work through dedicated structures

In order to encourage and unite the various initiatives, ***"Coordination du Volontariat"*** **(Voluntary Work Coordination)** was created in 2016, an internal structure which reports to the Monitoring Committee and is chaired by a member of the Bank's Executive Committee. Volunteering encompasses collective solidarity actions and voluntary work (performed outside of working hours) and skills-based volunteering (see *Social responsibility*, chapter 7.3).

In 2016, actions started some time ago with partner associations, continued in France, with the goal of promoting skills-based volunteering involving both current BNP Paribas employees and seniors. The offering proposed in this context covers three areas of focus:

- assignments promoting the inclusion of young people from underprivileged areas;
- actions in liaison with associations working in solidarity financing and the fight against exclusion;
- support for international NGOs in the field of microfinance through networking with the Group's locations worldwide.

The **Volunteerism Coordination** is based on a network of representatives in the different entities of the Bank. The "Bénévolat de Compétences et Solidarité" (skill-based volunteering) association supports, in particular, the flow of employees from the France Network and seniors.

#### Organising charity events involving employees

In France and internationally, charity events are an opportunity to increase employee commitment and a major source of internal cohesion.

A historic partner of Telethon, every year BNP Paribas mobilises its employees to participate in the event. In Italy, where it has been a crucial event for the Bank for more than 25 years, the actions of BNL have resulted in over EUR 10 million being collected in 2016. A success due to the generosity of donating customers as well as the involvement of almost 20,000 volunteers, Group employees, their family and friends. The exceptional opening of the BNL branches on Friday 16 and Saturday 17 December until 10pm, enabled a musical, arts and sports event to be organised, and also generated large-scale involvement. This BNL partnership has for more than 25 years, enabled approximately EUR 280 million to be raised for the Telethon during that period.

# 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 Environmental Commitments" which were updated in 2016 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 impact of our operations;
- Commitment 12: Advance awareness and sharing of best environmental practices.

In October 2016, BNP Paribas was named as the "Most Innovative Investment Bank for Climate Change and Sustainability" by The Banker Awards 2016.

## 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

Drawing on its expertise in financing renewable energies, **BNP Paribas is now a major participant in the sector**, ranked as the fourth overall (mandated Lead Arranger) in Europe by Infrastructure Journal. Its total financing for this sector was EUR 9.3 billion at end-2016 compared to EUR 7.2 billion in 2015, in line with its objective to reach EUR 15 billion by 2020. A notable example in 2016, the Group confirmed its position as the leading bank for offshore wind farms financed in Europe. These offshore wind farms include:

- Luchterduinen: 129MW in operation in the Netherlands. BNP Paribas acted as financial and technical adviser and global coordinator (March 2016);
- Dudgeon: development of 402MW in the United Kingdom. BNP Paribas acted as global coordinator (May 2016);
- Beatrice: development of 588MW In the United Kingdom. BNP Paribas acted as bookrunner and global coordinator (May 2016).

In total, in 2016, the Group financed or advised on renewable energy projects totalling more than 7.6GW of installed capacity.

In Italy, BNL's Green Desk has studied 498 energy projects since its launch in April 2014, of which 93 have been accepted representing a total of EUR 119.5 million (including EUR 66.6 million in 2016). These projects -49% biomass, 27% solar, 10% wind and 13% hydro – have a total installed capacity of 48MW.

#### A significant role promoting green bonds

**In 2016, the Group was one of 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 5.8 billion including more than EUR 1 billion equity-linked bonds.

The total amount of green bonds issued in 2016 where the Group was joint lead manager was EUR 2.4 billion. Among the many transactions in which the Group was involved in 2016 were:

- two out of three Iberdrola green bonds (EUR 1 billion, then EUR 750 million, with BNP Paribas as joint lead manager) used to refinance onshore wind farms in Spain;
- IFC's Forest Bond (USD 152 million, with BNP Paribas as joint lead manager: this innovative bond enables investors to receive their coupon in carbon credits in order to contribute to forest protection in Kenya;
- the first Turkish green bond, issued by Turkiye Sinai Kalkinma Bankasi (USD 300 million, with BNP Paribas as joint lead manager) whose net income is intended particularly to support investments reducing greenhouse gas emissions in the private sector;
- the first euro-denominated green bonds issued by a US electricity generation company (USD 1.1 billion, Southern Power);
- the first sovereign green bond in France (EUR 7 billion planned with a 22 year maturity) to be used for financing climate, biodiversity and pollution programmes. It is based on a syndicated bank facility including BNP Paribas.

In November 2016, BNP Paribas issued its first green bond (EUR 500 million) in order to refinance a portfolio of renewable projects in Europe. With an ambition to be a regular issuer, the Group established a framework to identify a pool of assets with a positive impact on the environment in five areas (eligible green assets): renewable energy, energy efficiency, public and collective transport, water management and water treatment and recycling. The operation generated significant demand from investors, which enabled a price to be set inside of BNP Paribas ordinary senior debt curve.

### Financial innovation supporting the transition

Since 2013, BNP Paribas has launched 12 ethical indices which have raised more than EUR 3 billion. These solutions provide investors with a financial return while allowing them to have a positive impact, particularly on the environment. In 2016, the following indices and funds were launched:

- the Solactive SPG Low Carbon Leaders Index only includes companies whose carbon footprint reduction is higher than their sector median value;
- the Theam Quant-Equity Europe Climate Care Fund includes assets with high ESG standards rigorously selected on the basis of their carbon footprint and the robustness of their energy transition strategy and based on the BNP Paribas Equity Europe Climate Care NTR Index;
- the FTSE Divest-Invest Developed 200 Index: based on the 200 largest companies in the FTSE Developed All-Cap Index, it excludes fossil fuel energy companies and replaces them with companies selected on the basis of a minimum ratio of green revenues to total revenues.

### Support for innovative start-ups in the energy transition

The Group has committed to investing **EUR 100 million up to 2020 in innovative start-ups involved in the energy transition**. Energy Transition Capital (a dedicated team in BNP Paribas Principal Investments) is responsible for delivering this commitment and made its first investments in 2016: EUR 5 million in Heliatek GmbH (Germany) which is developing ultra-light organic photovoltaic film suitable for all kinds of roofs and glass or concrete building façades, and USD 4 million in Aquion Energy, Inc. (United States) which is developing a revolutionary, non-flammable, salt water battery, making it possible to integrate renewable energies which are by their nature intermittent.

This support is in addition to direct investments and support from the 15 innovation hubs of the Retail Bank network in France where 11% start-ups being supported have an environmental focus.

## HELPING COMPANIES TO IMPROVE THEIR ENERGY EFFICIENCY'

Since energy efficiency must play a major role in reducing $CO_2$ emissions, BNP Paribas has undertaken to significantly increase its action in this area, in keeping with the "Financial Institutions' Declaration of Intent on Energy Efficiency" developed by the EBRD and UNEP-FI. Its subsidiaries BNP Paribas Real Estate, BNP Paribas Leasing Solutions and Arval make a particular contribution as part of their core business.

### Assisting entrepreneurs in their energy efficiency efforts

In **France**, the Group has in 2016 continued the process of integrating the Change to Green scheme in its offering to companies with its partner, *Économie d'Énergie*. The offer has three components: energy assessments of companies' premises, work specifications and financing arrangements. Comprehensive information about existing financing schemes at the national and local level (subsidies, grants, etc.) is available on the entreprises.bnpparibas website along with an energy transition information pack, a bulk email to 80,000 customers and the production of a leaflet distributed by the branch network.

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 work done to improve energy efficiency within their plants. In 2016, this SES Department took part in 106 projects representing investments of EUR 250 million compared to EUR 180 million last year.

### BNP Paribas Real Estate, offering companies responsible real estate

**All of the commercial property developed by** BNP Paribas Real Estate **is environmentally certified**. Citylight, for example, the renovation of 80,000m² of offices in Boulogne-Billancourt, achieved both the Breeam Excellent and High Environmental Quality (HQE) Exceptional certifications. In the Residential Promotion business, 2016 saw the construction of two residential units certified as passive houses and 67 wood-framed social housing units achieving the Minergie -P® standard in Montreuil (93). A second scheme in Nanterre (92) received the Effinergie certification. In 2016, BNP Paribas Real Estate improved its certification services and is now a BREEAM assessor and HQE adviser for buildings in use, allowing its complete autonomy in site certification.

In addition to certifications, BNP Paribas Real Estate is innovative and anticipates future environmental requirements. Consequently, in the context of the tender for innovative urban projects "Reinventing Paris", BNP Paribas Real Estate is planning to implement for its winning Ternes project:

- a common energy system for offices and homes (smart grid);
- car sharing solutions allowing non-thermal vehicles to be shared;
- residential urban agriculture schemes;
- wooden furniture having a low carbon impact on the project;
- ethical planting scheme addressing in particular, issues of dampness, pollution and positive externalities for biodiversity.

### Arval and BNP Paribas Leasing Solutions, specialising in mobility and low carbon transition

- In 2016**, Arval** has continued to develop Arval Active Link, its telematics system enabling simple and effective fleet management by: monitoring fuel consumption, distances covered, journey time, $CO_2$ emissions and driving behaviours.

**Arval also helps its customers to optimise their product policy**, choice of fuels including electric and hybrid vehicles and car-sharing schemes. Enel-Endesa (an electricity producer in Spain and internationally) and Arval have launched an electric mobility scheme for Enel-Endesa employees, with an objective of gaining 100 new users this year. This scheme will avoid the emission of 300 tonnes of $CO_2$ every year. Overall, the number of vehicles managed for international clients increased 9% between the beginning of 2014 and end-2016 (from 267,000 to 290,000). Thanks to its expertise, total emissions dropped 3% in the same period, thereby avoiding 35,000 tonnes de $CO_2$ emissions over three years.

**Road safety** is another key commitment in Arval's CSR strategy which it promotes both to its employees and customers. Training offered covers eco-driving and safety and help to reduce fuel consumption.

Arval Active Link received the **Sustainable Mobility Award** presented by the magazine Automobile & L'Entreprise in June.

- For its part, **BNP Paribas Leasing Solutions** offers a range of services in France based on the long-term leasing of low carbon assets. This includes, for example, natural gas-powered lorries, a technology cleaner than traditional fuels; supporting customers regarding the economic and environmental performance of their printing equipment and their policies and the suitable end-of-life treatment of this equipment; LEDs, with a long-term leasing offer for users and finance leases for constructors and distributors. The range of "green real estate finance leases" includes reductions in survey and engineering costs in order to encourage customers to choose highly energy efficient buildings.

## HELPING PRIVATE CUSTOMERS REDUCE THEIR ENERGY CONSUMPTION

In keeping with its commitments, the Group will develop the home energy efficiency improvement offer already available to 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 private customers' homes granted over **46,000 loans** in 2016 (of which almost 100 were for co-owned buildings). Since its launch in 2003, Domofinance has granted more than 530,000 loans: the energy savings achieved in 2016 are equivalent to the consumption of around 47,400 households.

In 2016, Afnor Certification awarded the **Social Responsibility certification** to Domofinance. Its main criteria focus on governance, HR practice, employee relations, societal challenges, business practices and environmental practices.

In addition to Domofinance, in order to finance energy efficiency and renewable energy sources for private customers, BNP Paribas Personal Finance has developed, amongst others in Europe:

- in France, a new partnership with Saint Gobain and a commercial partnership with Engie, in particular for the installation of solar panels;
- in Belgium, an agreement signed in 2016 with Engie for financing solar panels and energy audits;
- In Italy, partnerships with Enel and ENI to finance boilers and solar panels;
- in Portugal, a partnership with EDP.

Shenergy has also launched a trial in China for financing gas-fuelled household equipment (water heating, underfloor heating, ovens). Acting as a partner, BNP Paribas Personal Finance contributed with its expertise in the area of consumer credit. The loans are provided by Shenergy Finance, an entity in which the Group is historically a 10% shareholder.

### Platform to facilitate home energy renovation

In France, the Group engaged in 2016 in a wide-ranging communication exercise with individual customers on the **www.monprojetrenovation.com** platform which enables them to carry out a self-diagnosis to estimate the energy efficiency of their homes, then improve solutions through renovations. A communication to all advisors in the network was managed through an electronic message on plasma screens in branches.

## 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 Investment Partners offers a diversified range of "green" funds invested, in particular, in alternative energies and energy efficiency. At 31 December 2016, they represented EUR 25 billion in low-carbon assets. Three savings funds enable retail customers to contribute to the development of companies having a positive impact on the environment:

- **BNP Paribas Real Estate Managers**: SRI equity fund, invested in European companies striving to minimise their carbon footprints and the energy consumption of their real estate assets, managing water and waste in a responsible way and helping to improve the environmental quality of the buildings (EUR 147.5 million in assets under management at end-December 2016);
- **Parvest Global Environment** and **Parvest Climate Impact**: SRI equity fund, invested in companies focused on renewable energy, energy efficiency, water treatment or waste management and environmental services. (EUR 665.7 million of assets under management at end-December 2016 in the two funds).

## 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 by means of 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).

### Supporting the stakeholders of the circular economy

BNP Paribas directly finances stakeholders of the circular economy in France, for example, it supports Blablacar which has facilitated the boom in carsharing in France, a model where collaborative sharing replaces ownership. Other examples are Ecodair and ATF Gaia which recycle IT equipment, Recyc'Matelas, Le Relais and Emmaüs which recycle domestic appliances and clothing or the Simone Lemon restaurant which reduces food waste by using "spoilt" fruit and vegetables (30% are not marketed on the grounds of flaws in their appearance) and by selling dishes by weight. The Group's innovation hub in France also supports young companies dedicated to the circular economy such as AlphaRecyclage and RPlus technologies, which collect and upgrade respectively used tyres and mobile telephones, and Terradona which has developed an innovative waste sorting model or Ecov, an innovative carsharing platform. In Morocco, our customer Kilimanjaro produces fuel from used cooking oils.

### Development of the functional economy through leasing

A wholly-owned subsidiary of BNP Paribas, specialising in leasing company cars, Arval offers its small business, SMEs and large multinational customers tailored solutions that optimise their employees' mobility and outsource the risks associated with fleet management. Expert advice and service quality are delivered in 28 countries by more than 6,000 employees. The Arval fleet had more than 1 million vehicles leased worldwide at end-2016.

For its part, BNP Paribas Leasing Solutions offers leasing solutions to companies for professional or IT equipment or vehicles. With 3,000 employees able to operate in 21 countries, BNP Paribas Leasing Solutions – including Arval – is the leader in professional equipment financing in Europe by both the number of new contracts and total value of assets under management (Source: Leaseurope 2015 ranking, published in June 2016).

The models offered by Arval and Leasing Solutions are part of the functional economy: based on supplying services provided by a product and not the supply of the product itself, they enable the use of raw materials for mobility or professional equipment to be optimised and thus support the transition to a circular economy.

## COMMITMENT 11: REDUCE THE ENVIRONMENTAL IMPACT OF OUR OPERATIONS

The reduction in the environmental footprint from the Group's own operations focuses principally on three issues: greenhouse gas (GHG) emissions, responsible use of paper 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 89.4% of the full-time equivalent staff (FTE) managed by the Group at 31 December 2016. In 2016, this system was extended to India. Around 40 indicators are covered: 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 2015 reporting campaign, 69 entities benefited from feedback in figures on their consumption and objectives compared to those of the Group.

In 2016, 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). 8,664 Group employees work in an ISO 14001 certified entity. The United Kingdom has introduced a certification programme covering 74% 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, 66,704 employees work in France and Belgium in offices covered by an environmental management system.

**Numerous initiatives have been introduced to raise awareness of best practice**, involving all employees in four areas: energy consumption, business journeys, paper and waste. In Morocco, for example, in the context of COP22, BMCI introduced an eco-behavior programme in order to limit its direct impacts on the environment.

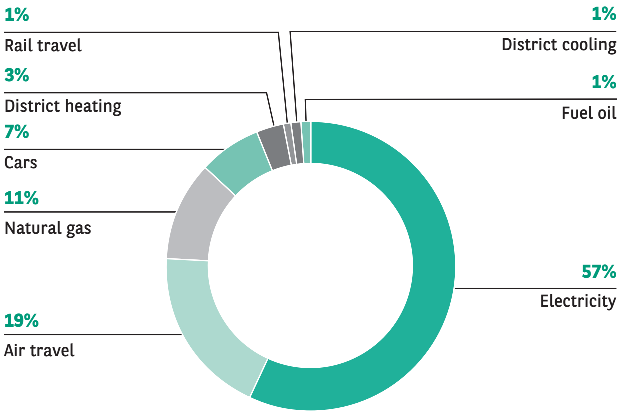
The amount of provisions and guarantees covering environmental risks is USD 2.6 million. The provision is for private litigation and is not intended to cover penalties for non-compliance with regulations.

## REDUCING GREENHOUSE GAS EMISSIONS (GHG)

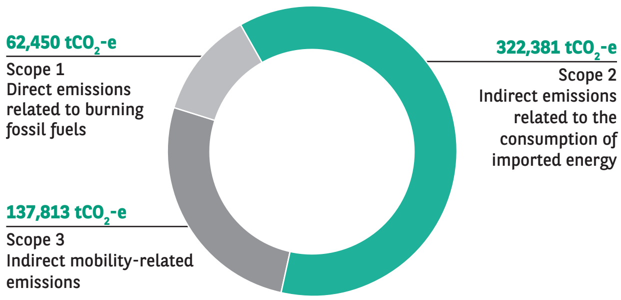
The Group's objective is **to reduce GHG emissions per employee by 25%** in 2020 compared to 2012: in other words, to go from 3.21 to 2.41 tonnes of $CO_2$ equivalent per employee in 2020. GHG emissions are measured by converting the energy consumed in buildings and employee business travel into tonnes of $CO_2$ equivalent ($tCO_2$-e, including all six greenhouse gases covered by the Kyoto protocol).

**In 2016**, the Group emitted a total of 522,644 $teqCO_2$, or 2.72 $teqCO_2$/FTE, which represents **a 5.55% reduction compared to 2015**. At 73.6% these emissions arose from building energy consumption and 27.1% from business travel. There are three mechanisms aimed at reducing them: the energy efficiency of buildings, 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 2016 resulting in a rating of A- for the transparency and quality of its reporting.

### ➤ BREAKDOWN BY TYPE OF GREENHOUSE GAS EMISSIONS




### ➤ BREAKDOWN OF THESE EMISSIONS BY SCOPE OF GHG PROTOCOL/ISO 14064-1 IN TCO2-E




- The **Group's energy consumption** was 1,460GWh in 2016 with an average of 201kWh/sq.m. compared to 207kWh/sq.m. in 2015. 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. For example, Personal Finance has obtained "HQE excellence" certification for the construction of Unicity, its new head office in Levallois-Perret. At the same time, renewable energy accounted for 17.6% of the buildings' energy consumption. This renewable energy either stems from the purchase of renewable electricity certificates (77% of the electricity in the UK, 95% in Belgium, 88% in Italy, 89% in Luxembourg, 68% in Germany), or from the direct consumption of renewable energy produced by the Group's buildings. BNP Paribas REIM France took part in the Cube 2020 competition which aims to promote energy savings in commercial buildings by getting owners and occupants involved. In this context, BNP Paribas Securities Services was rewarded for having significantly reduced its energy consumption at Les Grands Moulins de Pantin.
- In terms of **Green IT**, the Group looks to virtualise servers and work positions 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. At one of the new data centres in France, free cooling technology was chosen: servers are cooled by the external air.
- **Business travel** by Group employees is the other major source of GHG emissions. In 2016, a total of 910 million kilometres were travelled, i.e. 4,730km per FTE (64.1% by air, 13.1% by rail, 22.8% by car), compared with 5,055km per FTE in 2015, a **6.4% decrease in km per FTE in one year**. This reduction stems from the widespread use of webconferences, videoconferences and even telepresence. In addition, new, more restrictive, travel policies have been implemented: employees are encouraged to use public transport rather than their company vehicles, or choose economy rather than business class for air travel. This is demonstrated by BNP Paribas Real Estate's eco-friendly mobility policy which, amongst other things, makes electric bikes available to employees.

Adaptation to climate change is a subject addressed by the Group, notably in its Business Continuity Plan, which covers the management of extreme weather events and their consequences for the Group's sensitive infrastructure, especially its data centres. It is also addressed in the scientific research funded by the BNP Paribas Foundation within the framework of its "Climate Initiative" sponsorship programme (see, for example, the Invacost project within Commitment 12).

## 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 165kg to 115kg/FTP. In 2016, paper consumption reached 23,440 tonnes, or 122kg/FTE compared to 134kg/FTE iin 2015, recording a reduction of 26% compared to 2012. 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 objective on a long-term basis, the reduction in consumption is often based on replacing individual equipment with shared equipment: users must go to the printer to confirm print instructions sent from their workstation, thus avoiding documents being sent to print but never collected. 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.

In addition, 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 2016, **64.6% of paper was from responsible sources** compared to 63.4% in 2015. More broadly, eco-designed office supplies represented 26.5% of total office supplies purchased in 2016, a slight drop compared to to 2015 (27.9%).

## REDUCING WASTE AND RECYCLING IT WHEREVER POSSIBLE

As part of its actions to promote the circular economy (see also Commitment 10), the group has committed to increase each year the weight of recycled waste, mainly paper, and the quality of this data. More reliable information concluded that a total of 46,356 tonnes of waste generated by the Group was collected, or 241kg/FTE. **53% of the total volume of waste is recycled**, or the equivalent of 128kg per employee.

Since 2011, the Group has also had a **policy for dealing with its obsolete IT equipment** (PCs, servers, screens, etc.) that manages 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. In line with this policy, BICIS in Senegal has put in place contracts to recycle electrical and electronic equipment waste and paper.

Steps are also taken with respect to customers, not only to reduce paper usage in customer relations but also, as in Morocco, to offer payment cards produced using maize starch instead of plastic.

In order to contribute to **combating food waste**, Group corporate restaurants in France (17,000 meals a day) have deployed an action plan that is both rigorous and efficient: from 12% in the early 2000s, this waste has fallen to 3.5% today. Packaging varies according to restaurant size and in particular meat comes in packs of 10kg to 1.4kg in order to avoid waste at the end of service. Estimates are prepared on a daily basis to predict the number of restaurant users the next day; on the day itself, only 80% of products are used in the kitchen, with the remaining 20% only being released according to the number of restaurant users and dishes consumed which is monitored in real time. Finally, 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** and transferred its management to three associations with a long-term lease of 99 years. Today, this 125 hectare lake is one of the largest "natural" bodies of water in Wallonia. Developed for tourism activities during the twentieth century, the concrete banks were rather unwelcoming for the reserve's fauna and flora. A complete remodelling with natural banks enhances the "edge effect" (lagoons, islands, steep banks) and has led to a rapid increase in the diversity of species recorded. Today, the lake 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 39.24m$^3$ per FTE in 2016, compared to 31.22m$^3$ per employee in 2015. 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 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.

## SUPPORT FOR RESEARCH AIMED AT COMBATING CLIMATE CHANGE

### A new appeal for Climate Initiative projects

The BNP Paribas Foundation has been developing its "Climate Initiative" programme, which has an overall budget over three years of EUR 3 million (i.e. EUR 6 million over the 2010-2015 period). In 2016, the BNP Paribas Foundation launched a new appeal for projects in Europe in order to select from four to seven research projects whose aim is to improve awareness of the climate, its disruption and the consequences for our environment and human societies. **228 applications have been received. They involve 1,568 researchers,** from laboratories and universities **based in 95 countries,** across the 5 continents, compared to 28 countries represented in 2010 at the time of the first appeal for projects.

### The Swiss Polar Institute

For the extension of the Climate Initiative programme, the **Fondation BNP Paribas Suisse** decided in 2016 to support the Swiss Polar Institute through a new environmental philanthropy initiative. The Swiss Polar Institute, an inter-disciplinary University centre based at the *École Polytechnique Fédérale* in Lausanne (EPFL) is devoted to studying the poles and extreme environments. This approach is fully in line with the Social and Environmental Responsibility Strategy which the Group initiated in 2010.

> **Alongside BMCI at COP22**
>
> During COP22, the BNP Paribas Foundation was involved alongside BMCI (the BNP Paribas subsidiary in Morocco), an official partner of the Marrakesh conference which presented the Climate exhibition and organised several lectures to raise awareness among its customers and employers about climate change issues.
>
> This year, the Climate exhibition also took place in Warsaw, Geneva, Lisbon and London.

### Long-term support for partners projects and their development

- **2016 updating of the "Global Carbon Atlas" and addition of a new functionality**: this platform in 6 languages, which was created by the Laboratory of Sciences of the Climate and Environment (CEA/CNRS/UVSQ), offers researchers and the public a global view of $CO_2$ emissions by country and by city. An assessment of methane emissions is now also available on the website: www.globalcarbonatlas.org
- **Marion-Dufresne campaign**: scientists spent a month crossing the waters of the Southern Ocean on the Marion-Dufresne and deploying instrumented moorings that will allow a better understanding of its behaviour and influence on the climate. Showcasing the SOCLIM (Southern Ocean CLIMate) project and scientific research, mission updates appear in a logbook prepared thanks to a partnership with the *Cité des Sciences et de l'Industrie* in Paris.
- **Invacost** ("Invasive Insects and Their Cost Following Climate Change"): This research programme aims to characterise and quantify the impacts of invasive insect species at a worldwide level, in a climate change context. This year, the scientific team published its first study: the minimum cost of damage caused by around 10 invasive insects is EUR 69 billion per year and their impacts could increase by 18% by 2050 because of climate warming.

### Activities to popularise science in order to increase public awareness of the implications of climate change

The Foundation pays particular attention to sharing information from research partners with the general public and Group employees. This has led to the organisation of lectures which are now broadcast live on the internet and by means of the Foundation's social networks including in particular:

- the lecture by Philippe Ciais: "Is it possible to keep warming below 2°C?" in December in Paris;
- the SOCLIM lecture: "What is the future of the Southern Ocean?" delivered in September to the general public at the *Institut Océanographique* in Paris;
- the lecture by Dr Jérôme Chappellaz on the Subglacior project, given in March and November in Hong Kong;
- the lecture by Guillemette Ménot, in May in Paris, focusing on changes to Africa's climate.

### Encouraging public financing of projects through crowdfunding

Once again in 2016, the Foundation has trained and supported its partners in carrying out participative financing. Thanks to its support, two teams were able to attract the general public's attention and conduct a 60-day campaign to raise funds for:

- Insignificant: a series of animated films about man's place in the universe;
- Ice Memory: a project to create a record of ice from the world's largest glaziers in order to preserve archives of climate history.

Globally, through these different activities organised by the BNP Paribas foundation (lectures, exhibitions, articles, etc.) and by means of the Group's e-book on the energy transition, around 116,000 people have been made aware of climate change in 2016, compared to 70,000 in 2015, which is in line with the objective of reaching 140,000 people by 2018.

## PARTICIPATION IN THINK TANKS AND COMMITMENT PLATFORMS ON THE LINKS BETWEEN THE ECONOMY AND THE ENVIRONMENT

As part of its basic public positions on CSR (see Our Mission), BNP Paribas belongs to several think tanks and commitment platforms focused on environmental issues:

- Montreal Carbon Pledge (joined by BNP Paribas Investment Partners): a collective commitment by investors to measure and publish the carbon footprint of funds managed on behalf of third parties;
- Portfolio Decarbonization Coalition (joined by BNP Paribas Investment Partners): a collective commitment by investors to reduce the carbon footprint of funds managed on behalf of third parties;
- Investors Group on Climate Change (joined by BNP Paribas Investment Partners): an initiative which brings together the world's major investors around climate issues;
- The Transition Pathway Initiative: supported by BNP Paribas Investment Partners, this investor initiative aims to assist consistency between investment portfolios in the energy sector and the objective of limiting global warming to 2°C;
- French Business Climate Pledge: support by French companies on the eve of COP21 for the adoption of an ambitious agreement and promotion of a carbon price;
- Principles for Mainstreaming Climate Action within Financial Institutions: a platform bringing together public and private financial institutions in order to integrate climate change issues in financial processes;
- Science Based Target: a platform enabling each company to define and follow greenhouse gas emissions reduction objectives that are consistent with the 2 °C scenario defined by climate science;
- Banking Environment Initiative (BEI): a platform for exchanges with other financial institutions on topics such as regulations, the circular economy and the development of environment-related innovative financial products and services. The BEI is also behind the BEI Soft Commodities Compact (targeting zero net deforestation by 2020 through financing and investments), to which the Group has belonged since 2014;
- "Financial Institutions' Declaration of Intent on Energy Efficiency" from the EBRD/UNEP Finance Initiative reinforcing actions to promote the financing of energy efficiency;
- *Entreprises pour l'Environnement*: French partner of the World Business Council for Sustainable Development, a think tank whose Climate Change commission is chaired by the Group's Head of Environment and Extra-Financial Reporting;
- IDDRI (the French Institute for Sustainable Development and International Relations): a research centre which aims to create and share ways of analysing and understanding strategic sustainable development priorities with a global outlook;
- Roundtable on Sustainable Palm Oil: the body which oversees the main CSR certification available in the palm oil industry.

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).

# 7.6 Table of concordance with the list of social, environmental and community 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° SOCIAL INFORMATION** | |
| **a) Employment** | |
| ■ total workforce and distribution of employees by sex, age and geographical area | 487 - 488 |
| ■ hires and dismissals | 489 – 490 |
| ■ compensation and its evolution | 492 – 493 |
| **b) Work organization** | |
| ■ organisation of working hours | 490 - 491 |
| ■ absenteeism | 495 |
| **c) Labour practices** | |
| ■ employee-management dialogue, including procedures for informing staff, as well as consulting and negotiating with staff | 491 |
| ■ collective agreements | 491 |
| **d) Health and safety** | |
| ■ health and safety conditions at work | 494 – 495 |
| ■ agreements with unions and staff representatives regarding health and safety at work | 491 |
| ■ frequency and severity of accidents at work and occupational illnesses | 495 |
| **e) Training** | |
| ■ training policies | 497 - 499 |
| ■ total hours of training | 497 |
| **f) Equal treatment** | |
| ■ measures to promote gender equality | 481 - 483 |
| ■ measures to promote the employment and integration of disabled people | 483 - 484 |
| ■ anti-discrimination policy | 481 - 485 |
| **g) Promoting and complying with the fundamental conventions of the ILO relating to** | |
| ■ freedom of association and the right to collective bargaining | 485 |
| ■ the elimination of discrimination in respect of employment and occupation | 481 - 485 |
| ■ the elimination of forced or compulsory labour | 506 |
| ■ the abolition of child labour | 485; 506 |
| **2° ENVIRONMENTAL INFORMATION** | |
| **a) General policy on environmental issues** | |
| ■ organising the Company so as to take account of environmental issues and, where necessary, evaluation or certification procedures in the environmental area | 456 - 458; 464 – 465; 469; 475 – 480; 511 -518 |
| ■ employee training and information on environmental protection | 476 (indirect impacts); 514 (direct impacts) |

| | Corresponding page |
|---|---|
| ■ resources devoted to the prevention of environmental risks and pollution | 475 - 480 (indirect impacts); 514 - 516 (direct impacts) |
| ■ 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 | 514 |
| **b) Circular Economy** | |
| ■ measures for preventing, reducing or repairing discharges into the air, water or soil with a serious impact on the environment | 475 – 480 (indirect impacts); 514 - 516 (direct impacts) |
| ■ measures for preventing, recycling or reusing waste, other ways to recycle or eliminate waste; | 513 – 514 (indirect impacts); 516 (direct impacts) |
| ■ factoring in noise pollution and any other form of pollution specific to an activity | Not relevant, see page 514 |
| ■ food waste prevention efforts | 514 (indirect impacts); 516 (direct impacts) |
| **c) Sustainable use of resources** | |
| ■ water consumption and supply in accordance with local constraints | 475 – 480 (indirect impacts); 516 (direct impacts) |
| ■ consumption of raw materials and measures taken to improve the efficiency of their use | 475 – 480 ; (indirect impacts); 516 (direct impacts) |
| ■ consumption of energy, measures taken to improve energy efficiency and use of renewable energy | 475 – 480 (indirect impacts); 515 (direct impacts) |
| ■ land usage | 475 – 480 (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 | 475 – 480 ; 511- 514 (indirect impacts); 515 (direct impacts) |
| ■ adaptation to the consequences of climate change | 515 (indirect impacts); 517 - 518 (philanthropy) |
| **e) Protection of biodiversity** | |
| ■ measures taken to preserve or develop biodiversity | 475 - 480 (indirect impacts); 516 (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 | 463 - 470; 501 - 504 |
| ■ on local populations | 463 - 470; 501 – 504; - 506; 507 |
| **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 | 460 – 462; 473 - 474 |
| ■ partnership or philanthropy actions | 508 - 510; 517 - 518 |
| **c) Outsourcing and suppliers** | |
| ■ inclusion of social and environmental issues in purchasing policy | 459; 462; 475 |
| ■ importance of outsourcing and consideration of social and environmental responsibility when dealing with suppliers and subcontractors | 459; 462; 475 |
| **d) Fair commercial practice** | |
| ■ actions taken to prevent corruption | 459; 471 - 472 |
| ■ measures taken to foster consumers' health and safety | 472 - 473 |
| **e) Other actions taken, under this point 3, to foster Human rights** | 504 - 507 |

# 7.7 Table of concordance with GRI, ISO 26000, UNEP Fi, Global Compact, Sustainable Development Goals

| 2016 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 | 456 | G4-1 | 5.2.2, 5.2.3, 6.2 | 1.1 | | |
| Our values, the BNP Paribas Way | 456 | G4-1, G4-56 | 5.2.2, 6.2 | 1.1, 1.4 | | |
| **Our Corporate Social Responsibility strategy (CSR)** | | | | | | |
| BNP Paribas' commitments as a responsible bank | 457 | 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 | 458 | 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 | 459 | G4-15 | 6.8.9, 7.3.3 | 3.6 | 1, 3, 6, 8, 10 | 1-17 |
| Progress acknowledged by extra-financial rating agencies | 460 | | 7.6.2 | | | |
| CSR taken to the highest level in the organisation | 460 | G4-35, G4-36, G4-43 | 6.2.2 | 1.2 | | |
| Fostering dialogue with stakeholders | 461 | G4-16, G4-25, G4-26, G4-27 | 5.3.3, 7.5.4 | 3.3, 3.5 | 1, 3, 9 | 17 |
| **ECONOMIC RESPONSIBILITY: FINANCING THE ECONOMY IN AN ETHICAL MANNER** | | | | | | |
| **Commitment 1 – Investments and Financing with a positive impact** | | | | | | |
| Supporting SMEs and boosting employment | 463 | FS7, G4-EC1 | 6.8.7 | 1.3, 1.4 | | 8, 10 |
| Contributing to the United Nations Sustainable Development Goals (SDG) | 465 | FS16 | | 1.3, 1.5, 3.3 | 1-10 | 17 |
| Financing Social Entrepreneurship ("SE") | 467 | | 6.8.7, 6.7.9 | 2.7 | | 8, 10, 11 |
| Social impact bonds: a new tool for financial innovation | 468 | FS7 | 6.8.7 | 1.3, 1.4 | | 8, 10, 11 |
| Measuring social impact | 468 | | 7.3.1 | 2.3, 2.6 | | 17 |
| Designing and promoting Socially Responsible Investment (SRI) funds | 469 | FS-11 | 6.7.3, 6.7.9 | 2.7 | 1, 9 | 6, 7, 10, 11, 13, 14, 15, 17 |
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| **Commitment 2 – Ethics of the highest standard** | | | | | | |
| Ethics of the highest standard | 471 | 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 | 472 | 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 | 475 | G4-LA15 | 5.2.1, 6.6.3, 6.7.3 | 3.3 | 10 | 12, 16 |

| 2016 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 risks** | | | | | | |
| Financing and investment policies for the Group's activities in sectors with significant ESG issues | 476 | 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 | 478 | 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 management of the products and services provided by the Group | 478 | G4-14 | 6.3.5, 6.7.4, 6.7.5 | 2.3 | 1-10 | 16 |
| Management and monitoring tools for our ESG risks | 479 | G4-14, G4-EN17, 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** | | | | | | |
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| "Leadership for Change" | 480 | | 6.4.7 | | | 8 |
| Listening to employees through the Global People Survey (GPS) | 481 | | 5.3.3 | | | |
| **Commitment 4 - Promotion diversity and inclusion in the workplace** | | | | | | |
| A solid framework and visible commitments | 481 | G4-10, G4-LA1, G4-LA12 | 6.3.7, 6.4.3, 6.4.7 | 1.4, 3.3 | 1, 6 | 5, 8, 10 |
| Innovative training and awareness-raising for all sectors of the public | 482 | | 5.5.5, 6.6.6 | 1.4, 3.3 | 1, 6 | 5, 8, 10, |
| Actions and results in the main areas of the diversity and inclusion policy | 483 | G4-10, G4-LA12 | 6.3.7, 6.4.3, 6.6.6 | | 1, 6 | 5, 8, 10 |
| Internal and external recognition reasserted | 486 | | 5.3.3 | | 1, 6 | 5, 8, 10, 17 |
| **Commitment 5 - A good place to work and responsible employment management** | | | | | | |
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| Recruitment, movements, organisation of working hours | 489 | G4-LA3, G4-LA1, G4-LA12, G4-LA13 | 6.4.3, 6.4.4 | | | 3, 5, 8 |
| Quality social dialogue | 491 | 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 | 492 | G4-52 | 6.4.3, 6.4.4 | | | 5, 8 |
| Focus on people | 493 | G4-LA6 | 6.4.3, 6.4.4 | 1.4 | 6 | 3, 5, 8 |
| **Commitment 6 - A learning company supporting dynamic career management** | | | | | | |
| Career management | 496 | G4-LA11 | 6.4.7 | | 6 | 4, 10 |
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| Mobility | 499 | | 6.4.3, 6.4.7 | | | 10 |

| 2016 Registration document | Pages | Global Reporting Initiative V4* | ISO 26000 | UNEP-Fi** | Principles of the UN Global Compact | Sustainable Development Goals (SDGs) |
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| **CIVIC RESPONSIBILITY: BEING A POSITIVE AGENT FOR CHANGE** | | | | | | |
| **Commitment 7 – Products and services that are widely accessible** | | | | | | |
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| BNP Paribas is committed to respecting Human Rights | 504 | G4-14, G4-HR1 | 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 | 508 | G4-EC1 | 6.8.3, 6.8.4, 6.8.9 | 1.4 | | 3, 4, 6, 7, 13, 14, 15, 17 |
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| **ENVIRONMENTAL RESPONSIBILITY: COMBATING CLIMATE CHANGE** | | | | | | |
| **Commitment 10 – Partnering with our clients in the transition to a low-carbon economy** | | | | | | |
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| Helping private consumers to reduce their energy consumption | 513 | 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 | 513 | 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 |
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| **Commitment 11 – Reduce the environmental impacts of our operations** | | | | | | |
| Reducing greenhouse gas emissions (GHG) | 515 | 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 | 516 | 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 | 516 | 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 | 516 | 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 |

| 2016 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** | | | | | | |
| Support for research aimed at combating climate change | 517 | | 6.5.5, 6.6.6, 6.8.6, 6.8.9 | 2.1 | 8, 9 | 13, 17 |
| Participation in think tanks and commitment platforms on the links between the economy and the environment | 518 | | 6.5.5, 6.6.6, 6.8.6, 6.8.9 | 2.1 | 9 | 17 |
| **APPENDICES** | | | | | | |
| Grenelle II concordance table | 519 | | | | | |
| Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated environmental, labour and social information presented in the management report | 525 | | | | | |

(*) *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.*

# 7.8 Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated environmental, labour and social information presented in the management report of BNP Paribas

For the year ended 31 December 2016

*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.*

BNP Paribas SA
16 boulevard des Italiens
75009 Paris

To the Shareholders,

In our capacity as Statutory Auditor of BNP Paribas SA, appointed as an independent third party and certified by COFRAC under number 3-1060[1], we hereby report to you on the consolidated environmental, labour and social information for the year ended 31 December 2016, 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 BNP Paribas SA'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"), summarised in the management report and available on request from BNP Paribas' 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 codes of ethics, professional auditing standards and applicable legal and regulatory texts.

*(1) Whose scope can be consulted at http://www.cofrac.fr.*

## RESPONSIBILITY OF THE STATUTORY AUDITOR

On the basis of our work, it is our responsibility 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).

Our work was carried out by a team of six people between October 2016 and March 2017 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[(2)].

### 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 for by article R.225-105-1 of the French Commercial Code.

For any consolidated Information that was not disclosed, we verified that the explanations provided complied with the provisions of 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, within the limitations set out in the introduction of section 7.3 of the Registration Document for labour information and in the "Engagement 11: Reduce the environmental impact of our operations" section in 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, identified in 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 selected by us[(3)] 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 to identify any undisclosed data, 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 on average 33% of the employees deemed to be characteristic for the labour related information and the"purchases" environmental indicators, and 45% of the surfaces occupied deemed characteristic for the "building" environmental indicators.

For other consolidated CSR Information, we assessed 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.

*(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

*(3) The selected entities are:*

- *BNP Paribas SA for labour indicators; ITP IMEX for building energy consumption in France; ITP ARF for data regarding business travel and paper purchases in France and in other countries using the Group's suppliers for business travel;*
- *Bank of the West (USA), CIB (UK), BGZ BNP Paribas SA (Poland), for labour and environmental indicators (purchases – business travel and paper; buildings – energy use).*

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 this 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, 7 March 2017

One of the Statutory Auditors

PricewaterhouseCoopers Audit

| Etienne 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 2016, broken down by age, gender, 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 – statutory maternity pay (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, notably 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);
- 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"*);
- Waste prevention, recycling, reuse and other forms for recovery and elimination (*"Reducing waste and recycling it wherever possible"*).

### Qualitative social Information

- Territorial, economic and social impact of the Company's activity and sustainable financing for the economy (*"Commitment 1: Investments and financing with a positive impact"*; *"Commitment 3: Systematic integration and management of environmental, social and governance risks"* and *"Commitment 7: Products and services made available to as many people as possible"*);
- 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.

ISFS, a fully-owned IBM subsidiary, handles IT Infrastructure Management for BNP Paribas Luxembourg.

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 most notably since the date of the Statutory Auditors' report on the consolidated financial statements (7 March 2017).

# 8.5 Investments

The following table lists the Group's investments since 1 January 2013 that are individually valued at over EUR 500 million and are considered material at a Group level:

| Country | Announcement date | Transaction | Transaction amount | Comments |
|---|---|---|---|---|
| Belgium | 13 November 2013 | Acquisition by BNP Paribas from the SFPI(*) of its 25% holding in the capital of BNP Paribas Fortis | EUR 3,250m (for 25%) | The acquisition gives BNP Paribas a 99.93% holding in BNP Paribas Fortis |
| Poland | 3 December 2013 | Acquisition by BNP Paribas from Rabobank of its 88.98% stake in Bank Gospodarki Żywnościowej S.A. (BGZ) | EUR 961m (for 88.98%) | Takeover of 88.98% of the capital of BGZ by BNP Paribas. Following the announcement of the squeeze-out of BGZ's free float, in concert with Rabobank, on 23 December 2014, BNP Paribas holds a 90% stake in BGZ |
| 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 1,280m (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 2016

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** | |
| **Germany** | |
| All In One Vermietungsgesellschaft für Telekommunicationsanlagen mbH | Leasing Solutions |
| Arval Deutschland GmbH | Arval |
| BGL BNPP (Germany branch) | Retail Banking |
| BNPP Emission-und Handel GmbH | Corporate and Institutional Banking |
| BNPP Factor GmbH | Retail Banking |
| BNPP Fortis (Germany branch) | Corporate and Institutional Banking |
| BNPP Investment Partners Belgium (Germany branch) | Investment Partners |
| BNPP Lease Group (branch in Germany) | 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 |
| Fortis Lease Deutschland GmbH | Leasing Solutions |
| GE Auto Service Leasing GmbH | Arval |
| Gesellschaft für Capital & Vermögensverwaltung GmbH | Personal Finance |
| Inkasso Kodat GmbH & Co KG | Personal Finance |
| JCB Finance (Germany branch) | Leasing Solutions |
| Von Essen Bank GmbH (Ex- Von Essen Bank GmbH & Co KG Bankgesellschaft) | Personal Finance |
| **Austria** | |
| All In One Vermietung GmbH | Leasing Solutions |
| Arval Austria GmbH | Arval |
| BNPP Asset Management SAS (Austria branch) | Investment Partners |
| BNPP Fortis (Austria branch) | Corporate and Institutional Banking |
| BNPP Personal Finance (Austria branch) | Personal Finance |
| Cardif Assurance Vie (Austria branch) | Insurance |
| Cardif Assurances Risques Divers (Austria branch) | Insurance |
| CNH Industrial Capital Europe GmbH | Leasing Solutions |
| GE Auto Service Leasing GmbH | Arval |
| Hellobank BNPP Austria AG | Retail Banking |
| **Belgium** | |
| Ace Equipment Leasing | Leasing Solutions |
| AG Insurance | Insurance |
| Alpha Card SCRL | Retail Banking |
| Alpha Crédit SA | Personal Finance |
| Arval Belgium SA | Arval |
| BASS Master Issuer NV | Retail Banking |
| Belgian Mobile Wallet | Retail Banking |
| BNPP B Institutional II Court Terme | Investment companies and other subsidiaries |
| BNPP B Institutional II Short Term | Investment companies and other subsidiaries |
| BNPP Fortis | Retail Banking |
| BNPP Fortis Factor NV | Retail Banking |
| BNPP Fortis Private Equity Belgium | Private Equity (BNP Paribas Capital) |
| BNPP Fortis Private Equity Expansion | Private Equity (BNP Paribas Capital) |
| BNPP Fortis Private Equity Management | Private Equity (BNP Paribas Capital) |
| BNPP Investment Partners BE Holding | Investment Partners |
| BNPP Investment Partners Belgium | Investment Partners |
| BNPP Lease Group SA 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 |

| Locations | Business |
|---|---|
| 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) |
| Demetris NV | Retail Banking |
| Eos Aremas Belgium SA NV | Personal Finance |
| ES-Finance | Leasing Solutions |
| Esmée Master Issuer | Retail Banking |
| Fortis Lease Belgium | Leasing Solutions |
| FScholen | Corporate and Institutional Banking |
| Immobilière Sauvenière SA | Retail Banking |
| Locadif | Arval |
| Sagip | Investment companies and other subsidiaries |
| **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 | Personal Finance |
| **Croatia** | |
| Cardif Osiguranje Dionicko Drustvo ZA Osiguranje | Insurance |
| **Denmark** | |
| Alfred Berg Asset Management AB (Denmark branch) | Investment Partners |
| Arval AS | Arval |
| BNPP Factor AS | Retail Banking |
| BNPP Fortis (Denmark branch) | Corporate and Institutional Banking |
| Cardif Forsakring AB (Denmark branch) | Insurance |
| Cardif Livforsakring AB (Denmark branch) | Insurance |
| EkspresBank | Personal Finance |
| **Spain** | |
| Arval Service Lease SA | Arval |
| Banco Cetelem SA | Personal Finance |
| BNPP Espana SA | Wealth Management |
| 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 |
| Effico Iberia SA | Personal Finance |
| Fimestic Expansion SA | Personal Finance |
| Fonds Commun de Créances UCI | Personal Finance |
| Fortis Lease Iberia SA | Leasing Solutions |
| GCC Consumo Establecimiento Financiero de Credito SA | Personal Finance |
| GE Capital Largo Plazo SL | Arval |
| Meunier Hispania | Real Estate Services |
| SC Nueva Condo Murcia SL | Corporate and Institutional Banking |
| Servicios Financieros Carrefour EFC SA | Personal Finance |
| Union de Creditos Inmobiliarios | Personal Finance |
| **Finland** | |
| Alfred Berg Asset Management AB (Finland branch) | Investment Partners |
| Alfred Berg Kapitalforvaltning Finland AB | Investment Partners |
| Alfred Berg Rahastoyhtio Oy | Investment Partners |
| Arval Oy | Arval |
| BNPP Fortis (Finland branch) | Corporate and Institutional Banking |

| Locations | Business |
|---|---|
| **France** | |
| Antin Participation 5 | Property companies (property used in operations) |
| Antin Participation 8 | Corporate and Institutional Banking |
| Aprolis Finance | Leasing Solutions |
| Arius | Leasing Solutions |
| Artegy | Leasing Solutions |
| Artel | Arval |
| Arval Fleet Services (Ex- GE Capital Fleet Services Fr) | 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 | Wealth Management |
| Banque de Wallis et Futuna | Retail Banking |
| Banque Solfêa | Personal Finance |
| BNP Paribas SA | Banking |
| BNPP Actions Euroland | Insurance |
| BNPP Antilles Guyane (Ex- BNPP Martinique) | Retail Banking |
| BNPP Aqua | Insurance |
| BNPP Arbitrage | Corporate and Institutional Banking |
| BNPP Asset Management SAS | Investment Partners |
| BNPP Capital Partners | Investment Partners |
| BNPP Cardif | Insurance |
| BNPP Convictions | Insurance |
| BNPP Dealing Services | Securities Services |
| BNPP Développement | Retail Banking |
| BNPP Développement Humain | Insurance |
| BNPP Factor | Retail Banking |
| BNPP Fund Services France | Securities Services |
| BNPP Global Senior Corporate Loans | Insurance |
| BNPP Guadeloupe | Retail Banking |
| BNPP Guyane | Retail Banking |
| 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 Investment Partners | Investment Partners |
| 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 Wealth Management | Wealth Management |
| BNPP-SME-1 | Investment companies and other subsidiaries |
| Cafineo | Personal Finance |
| CamGestion | Investment Partners |
| Cardif Assurance Vie | Insurance |
| Cardif Assurances Risques Divers | Insurance |
| Cardif I-Services | Insurance |
| Cardif Services SAS | Insurance |
| Cardimmo | Insurance |
| Carrefour Banque | Personal Finance |
| Claas Financial Services | Leasing Solutions |
| CMV Médiforce | 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 |
| Conseil Investissement SNC | Wealth Management |
| Crédit Moderne Antilles Guyane | Personal Finance |

| Locations | Business |
|---|---|
| Crédit Moderne Océan Indien | Personal Finance |
| Domofinance | Personal Finance |
| Effico | Personal Finance |
| Esomet | Corporate and Institutional Banking |
| FCC Retail ABS Finance Noria 2009 | Personal Finance |
| FCT Laffitte 2016 | Investment companies and other subsidiaries |
| FCT Opéra | Investment companies and other subsidiaries |
| FG Ingénierie et Promotion Immobilière | Real Estate Services |
| Fidecom | Personal Finance |
| Financière des Italiens | Corporate and Institutional Banking |
| Financière du Marché Saint Honoré | Investment companies and other subsidiaries |
| Financière Paris Haussmann | Corporate and Institutional Banking |
| Financière Taitbout | Corporate and Institutional Banking |
| Fonds Commun de Titrisation Autonoria | Personal Finance |
| Fonds Commun de Titrisation Domos | Personal Finance |
| Fortis Lease | Leasing Solutions |
| FundQuest Advisor | Investment Partners |
| GIE BNPP Cardif | Insurance |
| GIE Groupement Auxiliaire de Moyens | Investment companies and other subsidiaries |
| 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 |
| Méditerranéa | Corporate and Institutional Banking |
| MFF | Leasing Solutions |
| Natio Assurance | Insurance |
| Natio Fonds Ampère 1 | Insurance |
| Natiocrédibail | Leasing Solutions |
| Natiocrédimurs | Leasing Solutions |
| Natioénergie 2 | Leasing Solutions |
| Noria 2015 | Personal Finance |
| Norrsken Finance | Personal Finance |
| Odyssée SCI | 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 |
| Portes de Claye SCI | Insurance |
| Portzamparc Société de Bourse | Retail Banking |
| Prêts et Services SAS | Personal Finance |
| Projéo | Personal Finance |
| Public Location Longue Durée | Arval |
| Retail Mobile Wallet | Personal Finance |
| Same Deutz Fahr Finance | Leasing Solutions |
| Scoo SCI | Insurance |
| Siège Issy | Real Estate Services |
| Société Alsacienne de Développement et d'Expansion | Retail Banking |
| Société Auxiliaire de Construction Immobilière | Investment companies and other subsidiaries |
| 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 programmes) | Real Estate Services |
| Symag | Personal Finance |
| Taitbout Participation 3 SNC | Corporate and Institutional Banking |
| THEAM | Investment Partners |
| Theam Quant Equity Europe Guru | Insurance |
| UCB Bail 2 | Investment companies and other subsidiaries |
| Verner Investissements | Corporate and Institutional Banking |
| **Greece** | |
| Arval Hellas Car Rental SA | Arval |
| BNPP Securities Services (Greece branch) | Securities Services |
| **Hungary** | |
| Arval Magyarorszag KFT | Arval |
| BNPP Lease Group KFT | Leasing Solutions |
| BNPP Lease Group Lizing RT | Leasing Solutions |
| 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 |
| Cardif Biztosito Magyarorszag ZRT | Insurance |
| Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag | Leasing Solutions |
| Magyar Cetelem Bank ZRT | Personal Finance |
| Oney Magyarorszag ZRT | Personal Finance |
| UCB Ingatlanhitel RT | Personal Finance |
| **Ireland** | |
| Alectra Finance PLC | Corporate and Institutional Banking |
| Aquarius + Investments PLC | Corporate and Institutional Banking |

| Locations | Business |
|---|---|
| BNPP Fund Administration Services Ireland Ltd | Securities Services |
| BNPP International Finance Dublin | Corporate and Institutional Banking |
| BNPP Ireland Unlimited Company (Ex- BNPP Ireland) | Corporate and Institutional Banking |
| BNPP Prime Brokerage International Ltd | Corporate and Institutional Banking |
| BNPP Real Estate Advisory & 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 Ltd | Corporate and Institutional Banking |
| Darnell Ltd | Insurance |
| Greenval Insurance Company Ltd | Arval |
| Madison Arbor Ltd | Corporate and Institutional Banking |
| Matchpoint Finance Public Company Ltd | Corporate and Institutional Banking |
| Omega Capital Funding Ltd | Corporate and Institutional Banking |
| Omega Capital Investments PLC | Corporate and Institutional Banking |
| Scaldis Capital (Ireland) Ltd | Corporate and Institutional Banking |
| 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 Societa di Gestione del Risparmio SPA | Investment Partners |
| 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 | 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 SA (Italy branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Italy branch) | Securities Services |
| Business Partners Italia SCPA | Retail Banking |
| Cardif Assurance Vie (Italy branch) | Insurance |
| Cardif Assurances Risques Divers (Italy branch) | Insurance |
| Cargeas Assicurazioni SPA | 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 |
| International Factors Italia SPA – Ifitalia | Retail Banking |
| JCB Finance (Italy branch) | Leasing Solutions |
| Locatrice Italiana SPA | Leasing Solutions |
| Locchi SRL | Real Estate Services |
| San Basilio 45 SRL | Real Estate Services |
| 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 SRL | Retail Banking |
| Vela Home SRL | Retail Banking |
| Vela Mortgages SRL | Retail Banking |
| Vela OBG SRL | Retail Banking |
| Vela Public Sector SRL | Retail Banking |
| Vela RMBS SRL | Retail Banking |
| **Luxembourg** | |
| Alleray SARL | Corporate and Institutional Banking |
| Arval Luxembourg SA | Arval |
| BGL BNPP | Retail Banking |
| BGL BNPP Factor SA | Retail Banking |
| BNPP Fortis Funding SA | Retail Banking |
| BNPP Investment Partners Luxembourg | Investment Partners |
| 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) |

| Locations | Business |
|---|---|
| Crossen SARL | Corporate and Institutional Banking |
| Fund Channel | Investment Partners |
| GreenStars BNPP | Corporate and Institutional Banking |
| Le Sphinx Assurances Luxembourg SA | Investment companies and other subsidiaries |
| Lion International Investments SA (Ex- BNL 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 |
| Royale Neuve I SARL | Corporate and Institutional Banking |
| Société Immobilière de Monterey SA | Retail Banking |
| 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 (Ex- GE Fleet Services BV) | Arval |
| Atisreal Netherlands BV | Real Estate Services |
| Bank Insinger de Beaufort NV | Wealth Management |
| BNPP Arbitrage Issuance BV | Corporate and Institutional Banking |
| BNPP Cardif BV | Insurance |
| BNPP Cardif Levensverzekeringen NV | Insurance |
| BNPP Cardif Schadeverzekeringen NV | Insurance |
| BNPP Factor Deutschland BV | Retail Banking |
| BNPP Factoring Coverage Europe Holding NV | Retail Banking |
| BNP Paribas Fortis (Netherlands branch) | Corporate and Institutional Banking |
| BNPP Investment Partners Funds Nederland NV | Investment Partners |
| BNPP Investment Partners Netherlands NV | Investment Partners |
| BNPP Investment Partners NL Holding NV | Investment Partners |
| BNPP Islamic 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 |
| BNP Paribas 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 |
| Phedina Hypotheken 2010 BV | Personal Finance |
| Phedina Hypotheken 2011-I BV | Personal Finance |
| Phedina Hypotheken 2013-I BV | Personal Finance |
| **Poland** | |
| Arval Service Lease Polska SP ZOO | Arval |
| Bank BGZ BNPP SA | Europe-Mediterranean |
| BNPP Lease Group Polska SP ZOO | 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 |
| Pocztylion Arka Powszechne Towarzystwo Emerytalne SA | Insurance |
| Sygma Bank Polska SA (Spolka Akcyjna) | Europe-Mediterranean |
| **Portugal** | |
| Arval Service Lease Aluger Operational Automoveis SA | Arval |
| Banco BNPP Personal Finance SA | Personal Finance |
| BNPP Factor Portugal | 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 |
| Itelcar – Automoveis de Aluguer Unipessoal Lda | Arval |
| **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 Advisory & Property Management Czech Republic SRO | Real Estate Services |
| **Romania** | |
| Arval Service Lease Romania SRL | Arval |
| BNPP Fortis (Romania branch) | Corporate and Institutional Banking |
| BNPP Lease Group IFN SA | Leasing Solutions |
| BNPP Real Estate Advisory SA | Real Estate Services |
| Cardif Assurance Vie (Romania branch) | Insurance |
| Cardif Assurances Risques Divers (Romania branch) | Insurance |
| Cetelem IFN | Personal Finance |
| RD Portofoliu SRL | Leasing Solutions |

| Locations | Business |
|---|---|
| **United Kingdom** | |
| Albury Asset Rentals Ltd | Leasing Solutions |
| Arval UK Group Ltd | Arval |
| Arval UK Leasing Services Ltd (Ex- GE Commercial Finance Fleet Services Ltd) | Arval |
| Arval UK Ltd | Arval |
| Bank Insinger de Beaufort NV (UK branch) | Wealth Management |
| BNP PUK Holding Ltd | Corporate and Institutional Banking |
| BNPP Arbitrage (UK branch) | Corporate and Institutional Banking |
| BNPP Cardif PSC Ltd | Insurance |
| BNPP Commercial Finance Ltd | Retail Banking |
| BNPP Commodity Futures Ltd | Corporate and Institutional Banking |
| BNPP Dealing Services (UK branch) | Securities Services |
| BNPP Fleet Holdings Ltd | Arval |
| BNPP Investment Partners UK Ltd | Investment Partners |
| BNPP Investments No. 1 Ltd | Corporate and Institutional Banking |
| BNPP Investments No. 2 Ltd | Corporate and Institutional Banking |
| BNPP Lease Group (Rentals) Ltd | Leasing Solutions |
| BNPP Lease Group PLC | 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 (Ex- Artegy Ltd) | Leasing Solutions |
| BNPP SA (UK branch) | Corporate and Institutional Banking |
| BNPP Securities Services (UK branch) | Securities Services |
| BNP/P 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 |
| Fischer Francis Trees & Watts UK Ltd | Investment Partners |
| Fortis Lease UK Ltd | Leasing Solutions |
| Fortis Lease UK Retail Ltd | Leasing Solutions |
| FundQuest Advisor (UK branch) | Investment Partners |
| Harewood Financing Ltd | Corporate and Institutional Banking |
| Harewood Holdings Ltd | Corporate and Institutional Banking |
| HFGL Ltd | Leasing Solutions |
| Humberclyde Commercial Investments Ltd | Leasing Solutions |
| Humberclyde Commercial Investments No.1 Ltd | Leasing Solutions |
| JCB Finance Holdings Ltd | Leasing Solutions |
| Landspire Ltd | Corporate and Institutional Banking |
| Manitou Finance Ltd | Leasing Solutions |
| Opéra Trading Capital (UK branch) | Corporate and Institutional Banking |
| 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 |
| **Slovakia** | |
| Arval Slovakia | Arval |
| BNPP Personal Finance (Slovakia branch) | Personal Finance |
| Cetelem Slovensko AS | Personal Finance |
| Poistovna Cardif Slovakia AS | Insurance |
| **Sweden** | |
| Alfred Berg Asset Management AB | Investment Partners |
| Alfred Berg Fonder AB | Investment Partners |
| Alfred Berg Kapitalforvaltning AB | Investment Partners |
| Arval AB | Arval |
| BNPP Fortis (Sweden branch) | Corporate and Institutional Banking |
| Cardif Forsakring AB | Insurance |
| Cardif Livforsakring AB | Insurance |
| Cardif Nordic AB | Insurance |
| | |
| **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 |

| Locations | Business |
|---|---|
| BNPP Securities Services (Jersey branch) | Securities Services |
| BNPP Suisse SA (Jersey branch) | Banking |
| 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) | Investment Partners |
| Alfred Berg Kapitalforvaltning AS | Investment Partners |
| BNPP Fortis (Norway branch) | Corporate and Institutional Banking |
| Cardif Forsakring AB (Norway branch) | Insurance |
| Cardif Livforsakring AB (Norway branch) | Insurance |
| EkspresBank (Norway branch) | Personal Finance |
| **Russia** | |
| Arval OOO | Arval |
| BNPP Bank JSC | Corporate and Institutional Banking |
| Cardif Insurance Company 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 |
| **Ukraine** | |
| IC Axa Insurance JSC | Europe-Mediterranean |
| UkrSibbank Public JSC | Europe-Mediterranean |
| | |
| **Africa & Mediterranean basin** | |
| **South Africa** | |
| 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 Proprietary Ltd | Personal Finance |
| RCS Investment Holdings Ltd | Personal Finance |
| **Algeria** | |
| BNPP El Djazair | Europe-Mediterranean |
| Cardif El Djazair | Insurance |
| **Saudi Arabia** | |
| BNPP Investment Company KSA | Corporate and Institutional Banking |
| BNPP SA (Saudi Arabia branch) | Corporate and Institutional Banking |
| **Bahrain** | |
| BNPP SA (Bahrain branch) | Corporate and Institutional Banking |
| **Burkina Faso** | |
| Banque Internationale pour le Commerce et l'Industrie du Burkina Faso | Europe-Mediterranean |
| **Ivory Coast** | |
| Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire | Europe-Mediterranean |
| BICI Bourse | Europe-Mediterranean |
| **United Arab Emirates** | |
| BNPP Real Estate (Dubai branch) | Real Estate Services |
| BNPP SA (United Arab Emirates branch) | Corporate and Institutional Banking |
| **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 |
| **Kuwait** | |
| BNPP SA (Kuweit 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 |
| BMCI Asset Management | Europe-Mediterranean |
| BMCI Assurance SARL | Europe-Mediterranean |
| BMCI Banque Offshore | Europe-Mediterranean |
| BMCI Leasing | Europe-Mediterranean |
| **Qatar** | |
| BNPP SA (Qatar branch) | Corporate and Institutional Banking |
| **Senegal** | |
| Banque Internationale pour le Commerce et l'Industrie du Sénégal | Europe-Mediterranean |
| **Tunisia** | |
| Union Bancaire pour le Commerce et l'Industrie | Europe-Mediterranean |
| **Turkey** | |
| BNPP Cardif Emeklilik Anonim Sirketi | Insurance |
| BNPP Finansal Kiralama AS | Leasing Solutions |
| BNPP Fortis Yatirimlar Holding AS | Europe-Mediterranean |

| Locations | Business |
|---|---|
| BNPP Yatirimlar Holding AS | Europe-Mediterranean |
| TEB Arval Arac Filo Kiralama AS | Arval |
| TEB Faktoring AS | Europe-Mediterranean |
| TEB Holding AS | Europe-Mediterranean |
| TEB Portfoy Yonetimi AS | Europe-Mediterranean |
| TEB Tuketici Finansman AS | Personal Finance |
| TEB Yatirim Menkul Degerler AS | Europe-Mediterranean |
| Turk Ekonomi Bankasi AS | Europe-Mediterranean |
| | |
| **Americas** | |
| **Argentina** | |
| Banco Cetelem Argentina SA | Personal Finance |
| Banco de Servicios Financieros SA | Personal Finance |
| BNPP Investment Partners Argentina SA | Investment Partners |
| BNPP SA (Argentina branch) | Corporate and Institutional Banking |
| Cardif Seguros 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 | Investment Partners |
| BNPP EQD Brazil Fund Fundo Invest 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 Serviços Ltda | Personal Finance |
| Luizaseg | Insurance |
| NCVP Participacoes Societarias SA | Insurance |
| **Cayman Islands** | |
| Bank of the West (Cayman Islands branch) | Retail Banking |
| BNPP SA (Cayman Islands branch) | Corporate and Institutional Banking |
| **Canada** | |
| BNPP (Canada) Valeurs Mobilières | Corporate and Institutional Banking |
| BNPP Energy Trading Canada Corp | Corporate and Institutional Banking |
| BNPP IT Solutions Canada Inc | Corporate and Institutional Banking |
| BNPP SA (Canada branch) | Corporate and Institutional Banking |
| Corporation BNPP Canada (Ex- BNPP Canada) | Corporate and Institutional Banking |
| **Chile** | |
| Bancoestado Administradora General de Fondos SA | Investment Partners |
| BNPP Cardif Seguros de Vida SA | Insurance |
| BNPP Cardif Seguros Generales SA | Insurance |
| BNPP Cardif Servicios y Asistencia Limitada | Insurance |
| **Colombia** | |
| BNPP Colombia Corporation Financiera SA | Corporate and Institutional Banking |
| Cardif Colombia Seguros Generales SA | Insurance |
| **United States of America** | |
| 1897 Services Corporation | Retail Banking |
| BancWest Corporation | Retail Banking |
| BancWest Holding Inc | Retail Banking |
| BancWest Investment Services Inc | Retail Banking |
| Banexi Holding Corporation | 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 2016-1 (Ex- Bank of the West Auto Trust 2015-2) | Retail Banking |
| Bank of the West Auto Trust 2016-2 | Retail Banking |
| Bishop Street Capital Management Corporation | Retail Banking |
| 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 Finance Inc | Corporate and Institutional Banking |
| BNPP Fortis (United States branch) | Corporate and Institutional Banking |
| BNPP FS LLC | Corporate and Institutional Banking |
| BNPP Investment Partners USA Holdings Inc | Investment Partners |
| BNPP Leasing Corporation | Corporate and Institutional Banking |
| BNPP Mortgage Corp | Corporate and Institutional Banking |
| BNPP North America Inc | Corporate and Institutional Banking |
| BNPP Prime Brokerage Inc | Corporate and Institutional Banking |
| BNPP RCC Inc | Corporate and Institutional Banking |
| BNPP SA (United States branch) | Corporate and Institutional Banking |
| BNPP Securities Corp | Corporate and Institutional Banking |
| BNPP US Medium Term Notes Program LLC | Investment companies and other subsidiaries |
| BNPP USA Inc (Ex- Paribas North America Inc) | Corporate and Institutional Banking |
| BNPP VPG Adonis LLC | Corporate and Institutional Banking |

| Locations | Business |
|---|---|
| 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 (ex- BNP Paribas VPG Modern Lux Media 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 (Ex- BNPP VPG CB 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 Corporation | Retail Banking |
| Claas Financial Services Inc | Leasing Solutions |
| Claas Financial Services LLC | Retail Banking |
| Commercial Federal Affordable Housing Inc | Retail Banking |
| Commercial Federal Community Development Corporation | Retail Banking |
| Commercial Federal Insurance Corporation | Retail Banking |
| Commercial Federal Investment Service Inc | Retail Banking |
| Equipment Lot FH | Retail Banking |
| Equipment Lot Siemens 1998A-FH | Retail Banking |
| FB Transportation Capital LLC | Corporate and Institutional 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 (Ex- BancWest Corporation) | Retail Banking |
| First Hawaiian Leasing Inc | Retail Banking |
| First National Bancorporation | Retail Banking |
| First Santa Clara Corporation | Retail Banking |
| Fischer Francis Trees & Watts Inc | Investment Partners |
| Fortis Funding LLC | Corporate and Institutional Banking |
| French American Banking Corporation | 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 |
| Lexington Blue LLC | Retail Banking |
| Liberty Leasing Company | Retail Banking |
| Matchpoint Master Trust | Corporate and Institutional Banking |
| Mountain Falls Acquisition Corporation | 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 Corporation | Corporate and Institutional Banking |
| SWB 99-1 | Retail 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 |
| **Mexico** | |
| BNPP Investment Partners Latam SA | Investment Partners |
| 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 |
| | |
| **Asia & Pacific** | |
| **Australia** | |
| BNP Pacific (Australia) Ltd | Corporate and Institutional Banking |
| BNPP Fund Services Australasia Pty Ltd | Securities Services |
| BNPP Investment Partners (Australia) Holdings Pty Ltd | Investment Partners |
| BNPP Investment Partners (Australia) Ltd | Investment Partners |
| BNPP SA (Australia branch) | Corporate and Institutional Banking |
| BNPP Securities Services (Australia branch) | Securities Services |
| **China** | |
| Arval Jiutong (Ex- Arval China Co Ltd) | Arval |
| Bank of Nanjing | Europe-Mediterranean |

*(1) The liquidation process of the entity located in Panama, initiated in July 2010, is pending approval from the local regulator.*

| Locations | Business |
|---|---|
| BNPP (China) Ltd | Corporate and Institutional Banking |
| BNPP Commodities Trading (Shanghai) Co Ltd | Corporate and Institutional Banking |
| BOB-Cardif Life Insurance Company Ltd | Insurance |
| Haitong – Fortis Private Equity Fund Management Co Ltd | Investment Partners |
| HFT Investment Management Co Ltd | Investment Partners |
| Suning Consumer Finance Company Ltd | Personal Finance |
| **Republic of Korea** | |
| BNPP Cardif General Insurance Co Ltd | Insurance |
| BNPP SA (Republic of Korea branch) | Corporate and Institutional Banking |
| BNPP Securities Korea Company Ltd | Corporate and Institutional Banking |
| Cardif Life Insurance Co Ltd | Insurance |
| Shinhan BNPP Asset Management Co Ltd | Investment Partners |
| **Hong Kong** | |
| BNPP Arbitrage (Hong Kong) Ltd | Corporate and Institutional Banking |
| BNPP Dealing Services Asia Ltd | Securities Services |
| BNPP Finance (Hong Kong) Ltd | Corporate and Institutional Banking |
| BNPP Investment Partners Asia Ltd | Investment Partners |
| 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 |
| BNPP Wealth Management (Hong Kong branch) | Wealth Management |
| Opéra Trading Capital (Hong Kong branch) | Corporate and Institutional Banking |
| **India** | |
| Arval India Private Ltd | Arval |
| BNPP Asset Management India Private Ltd | Investment Partners |
| BNPP Global Securities Operations Private Ltd (Ex- BNP Paribas Sundaram 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 BNPP Financial Services Ltd | Retail Banking |
| Geojit Technologies Private Ltd | Retail Banking |
| Human Value Developers Private Ltd | Retail Banking |
| Sharekhan Financial Services Private Ltd | Retail Banking |
| Sharekhan Ltd | Retail Banking |
| SREI Equipement Finance Ltd | Leasing Solutions |

| Locations | Business |
|---|---|
| State Bank of India Life Insurance Company Ltd | Insurance |
| Sundaram BNPP Home Finance Ltd | Personal Finance |
| **Indonesia** | |
| Bank BNPP Indonesia PT | Corporate and Institutional Banking |
| BNPP Investment Partners PT | Investment Partners |
| BNPP Securities Indonesia PT | Corporate and Institutional Banking |
| **Japan** | |
| BNPP Investment Partners Japan Ltd | Investment Partners |
| 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 |
| **Singapore** | |
| BNPP Investment Partners Singapore Ltd | Investment Partners |
| BNPP SA (Singapore branch) | Corporate and Institutional Banking |
| BNPP Securities (Singapore) Pte Ltd | Corporate and Institutional Banking |
| BNPP Securities Services (Singapore branch) | Securities Services |
| BNPP Wealth Management (Singapore branch) | Wealth Management |
| BPP Holdings Pte Ltd | Corporate and Institutional Banking |
| **Taiwan** | |
| BNPP Cardif TCB Life Insurance Company 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 |

## II. PROFIT AND LOSS ACCOUNT ITEMS AND HEADCOUNT BY COUNTRY

| | FY 2016(*) *(in EUR million)* | | | | | | Financial headcount(**) as at 31 December 2016 |
|---|---|---|---|---|---|---|---|
| | Revenues | Public subsidies received | Income before Tax | Current tax expense | Deferred tax | Corporate income tax | |
| **European Union member States** | | | | | | | |
| Germany | 1,465 | 0 | 380 | (103) | (17) | (120) | 4,559 |
| Austria | 41 | 0 | (6) | (1) | (4) | (5) | 232 |
| Belgium | 4,906 | 0 | 1,890 | (76) | (183) | (259) | 15,639 |
| Bulgaria | 54 | 0 | 19 | (2) | 0 | (2) | 842 |
| Denmark | 63 | 0 | 17 | (5) | 1 | (4) | 173 |
| Spain | 840 | 0 | 449 | (55) | (77) | (132) | 2,670 |
| Finland | 5 | 0 | (2) | 0 | 0 | 0 | 20 |
| France | 14,522 | 0 | 2,054 | (667) | (133) | (800) | 57,399 |
| Greece | 3 | 0 | 0 | 0 | 0 | 0 | 23 |
| Hungary | 86 | 0 | 36 | (10) | (5) | (15) | 494 |
| Ireland | 292 | 0 | 139 | (15) | (1) | (16) | 531 |
| Italy | 4,873 | 0 | 1,055 | (179) | (141) | (320) | 17,998 |
| Luxembourg | 1,189 | 0 | 549 | (142) | 55 | (87) | 3,508 |
| Netherlands | 362 | 0 | 143 | (26) | (6) | (32) | 1,003 |
| Poland | 639 | 0 | 70 | (29) | 2 | (27) | 8,126 |
| Portugal | 159 | 0 | 80 | (25) | 8 | (17) | 2,704 |
| Czech Republic | 121 | 0 | 64 | (10) | (1) | (11) | 709 |
| Romania | 50 | 0 | 17 | (3) | 0 | (3) | 782 |
| United Kingdom | 2,575 | 0 | 604 | (133) | (59) | (192) | 6,501 |
| Slovakia | 26 | 0 | 7 | (3) | 1 | (2) | 169 |
| Sweden | 15 | 0 | (12) | 0 | 0 | 0 | 158 |
| **Other European countries** | | | | | | | |
| Guernsey | 7 | 0 | 1 | 0 | 0 | 0 | 15 |
| Jersey | 51 | 0 | 18 | (1) | 0 | (1) | 221 |
| Monaco | 64 | 0 | 26 | 0 | 0 | 0 | 196 |
| Norway | 26 | 0 | (3) | 2 | (3) | (1) | 91 |
| Russia | 57 | 0 | 27 | (3) | (2) | (5) | 322 |
| Serbia | 35 | 0 | 20 | (2) | 0 | (2) | 590 |
| Switzerland | 442 | 0 | 48 | (7) | (146) | (153) | 1,335 |
| Ukraine | 148 | 0 | 61 | 0 | (10) | (10) | 5,329 |
| **Africa & Mediterranean basin** | | | | | | | |
| South Africa | 120 | 0 | 33 | (9) | 1 | (8) | 1,208 |
| Algeria | 109 | 0 | 33 | (11) | 2 | (9) | 1,451 |
| Saudi Arabia | 14 | 0 | 0 | 0 | 0 | 0 | 37 |
| Bahrain | 91 | 0 | 27 | 0 | 0 | 0 | 278 |
| Burkina Faso | 22 | 0 | 6 | (1) | 0 | (1) | 285 |
| Ivory Coast | 64 | 0 | 25 | (5) | 0 | (5) | 583 |
| United Arab Emirates | 31 | 0 | (15) | (4) | 5 | 1 | 88 |
| Guinea | 37 | 0 | 9 | (3) | 0 | (3) | 314 |
| Kuwait | 9 | 0 | 5 | 0 | 0 | 0 | 22 |
| Mali | 15 | 0 | 3 | (1) | 0 | (1) | 102 |
| Morocco | 273 | 0 | 73 | (47) | (11) | (58) | 3,185 |
| Qatar | 18 | 0 | 10 | (1) | 0 | (1) | 29 |
| Senegal | 51 | 0 | 15 | (4) | 0 | (4) | 454 |
| Tunisia | 75 | 0 | 24 | (7) | (1) | (8) | 1,234 |
| Turkey | 1,332 | 0 | 362 | (64) | (11) | (75) | 10,599 |
| **Americas** | | | | | | | |
| Argentina | 95 | 0 | 52 | (16) | 1 | (15) | 235 |
| Brazil | 699 | 0 | 214 | (41) | (43) | (84) | 1,252 |
| Cayman Islands(1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Canada | 52 | 0 | 15 | (1) | (3) | (4) | 318 |
| Chile | 55 | 0 | 28 | (12) | 4 | (8) | 361 |
| Colombia | 35 | 0 | 13 | (3) | 0 | (3) | 260 |
| United States of America | 4,456 | 0 | 1,069 | (379) | 38 | (341) | 15,576 |
| Mexico | 31 | 0 | 7 | (1) | (1) | (2) | 241 |
| Panama(2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Asia & Pacific** | | | | | | | |
| Australia | 157 | 0 | 1 | (6) | 5 | (1) | 479 |
| China | 144 | 0 | 71 | (1) | (15) | (16) | 394 |
| Republic of Korean | 88 | 0 | (5) | (73) | 69 | (4) | 320 |
| Hong Kong | 649 | 0 | (50) | 0 | (12) | (12) | 2,439 |
| India | 174 | 0 | 130 | (58) | 3 | (55) | 7,279 |
| Indonesia | 60 | 0 | 35 | (8) | (1) | (9) | 141 |
| Japan | 602 | 0 | 382 | (86) | (26) | (112) | 684 |
| Malaysia | 18 | 0 | 5 | (1) | 0 | (1) | 81 |
| Philippines | 2 | 0 | 0 | 0 | 0 | 0 | 14 |
| Singapore | 550 | 0 | 174 | (22) | (6) | (28) | 1,990 |
| Taiwan | 126 | 0 | 56 | 2 | (6) | (4) | 426 |
| Thailand | 23 | 0 | 9 | (6) | 0 | (6) | 72 |
| Viet Nam | 18 | 0 | 10 | (2) | 0 | (2) | 69 |
| **GROUP TOTAL** | **43,411** | **0** | **10,577** | **(2,366)** | **(729)** | **(3,095)** | **184,839** |

(*) *The financial data correspond to the contribution income of fully consolidated entities under exclusive control.*

(**) *Financial headcount: Full-Time Equivalents (FTE) 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 16 January 2017.

## 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 1er)* 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 Etablissements 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 2,494,005,306 euros divided into 1,247,002,653 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 2016

| 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 92400 Courbevoie |

**STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS**

*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 during the year

We were informed that the following agreement, already approved by the Annual General Meeting on 26 May 2016, following the Statutory Auditors' special report of 9 March 2016, was 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 Jean-Laurent 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.

## Agreements and commitments approved in previous years but not implemented during the year

In addition, we have been informed that the following agreement, previously approved by the Annual General Meeting, remained in force but was not implemented during the year.

### *Agreement between BNP Paribas and Jean-Laurent Bonnafé regarding the termination of Jean-Laurent Bonnafé's employment contract (authorised by the Board of Directors on 14 December 2012)*

*Director concerned:*

Jean-Laurent Bonnafé, Director

Chief Executive Officer of BNP Paribas

Jean-Laurent Bonnafé entered into an agreement with BNP Paribas on 25 January 2013 providing for the termination of his employment contract. This agreement was authorised at the meeting of the Board of Directors on 14 December 2012.

In the event of termination of Jean-Laurent Bonnafé's duties as Chief Executive Officer, this agreement provides as follows:

**1.** Jean-Laurent Bonnafé will receive no termination benefits:
- in the event of serious misconduct or wilful misconduct,
- in the event the performance conditions listed in paragraph 2 are not met, or
- in the event he decides to voluntarily leave his position as Chief Executive Officer.

**2.** If the termination of Jean-Laurent Bonnafé's duties occurs under conditions not listed in paragraph 1, he will receive a conditional indemnity calculated as follows:

**(a)** if, during at least two of the last three years preceding the termination of his duties as Chief Executive Officer, Jean-Laurent Bonnafé has fulfilled at least 80% of the quantitative objectives set by the Board of Directors to determine his variable compensation, the reference for the calculation of his indemnity will be equal to two years of his last fixed salary and target variable compensation prior to termination;

**(b)** in the event the success rate specified in paragraph 2 (a) is not met but the Company reports a positive net income attributable to equity holders for two of the last three years preceding the termination of his duties, Jean-Laurent Bonnafé will receive an indemnity equal to two years of his compensation for 2011.

**3.** In the event of the termination of Jean-Laurent Bonnafé's duties during the year preceding the date on which he will have the possibility to retire, the indemnity due:
- will be limited to half the indemnity specified above, and
- will be subject to the same conditions.

At its meeting on 25 February 2016, the Board of Directors and Jean-Laurent Bonnafé mutually agreed to terminate this agreement with immediate effect.



Neuilly-sur-Seine and Courbevoie, 7 March 2017

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-Regnault |
| 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-Regnault, 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 accounts 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 undertakings in the consolidation taken as a whole, and that the information provided in the management report (whose contents are listed in the Table of Concordance on page 553) includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of 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, 7 March 2017

Chief Executive Officer

Jean-Laurent BONNAFÉ

# 11 TABLE 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.

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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** | **550** |
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| ■ Review of the parent company's and consolidated Group's profit or loss, financial position, risks, and table summary of currently valid share issue authorisations granted by the Annual General Meeting to the management bodies and usage of the authorisations during the course of the year (articles L.225-100 and L.225-100-2 of the French Commercial Code) | 4; 103-126; 129-130; 210-213; 235-412; 439-443 |
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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 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 consolidated financial statements for the year ended 31 December 2014 and the Statutory Auditors' report on the consolidated financial statements for the same period, presented respectively on pages 135-240 and 241-242 of Registration document no. D.15-0107 filed with the AMF on 6 March 2015.

The chapters of Registration documents nos. D.16-0126 and D.15-0107 not referred to above are either not significant for investors or are covered in another section of this Registration document.

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