BNP PARIBAS
CORPORATE & INSTITUTIONAL BANKING

BASE LISTING DOCUMENT DATED 30 MARCH 2017

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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Non-collateralised Structured Products Base Listing Document relating to Structured Products to be issued by BNP Paribas Arbitrage Issuance B.V.

(Incorporated in the Netherlands with its statutory seat in Amsterdam)

unconditionally and irrevocably guaranteed by BNP Paribas

(incorporated in France)

This document, for which we and BNP Paribas (the "**Guarantor**") accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to us, the Guarantor and our warrants (the "**Warrants**"), callable bull/bear contracts ("**CBBCs**") and other structured products (together, the "**Structured Products**") to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda. You must ask us if any addenda to this document have been issued.

Our obligations under the Structured Products are guaranteed by the Guarantor under a guarantee executed by the Guarantor dated as of 30 March 2017 (the "**Guarantee**"). We and the Guarantor, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

These are Structured Products involving derivatives. You should not invest in the Structured Products unless you fully understand and are willing to assume the risks associated with them.

Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person, and the Guarantee in respect of the Structured Products constitutes the general unsecured contractual obligations of the Guarantor and of no other person. The Structured Products will rank equally among themselves and with all our other unsecured obligations and all other unsecured obligations of the Guarantor (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index. If we become insolvent or default on our obligations under the Structured Products or the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, you may not be able to recover all or even part of the amount due under the Structured Products (if any). The Guarantor is subject to the exercise of the bail-in powers under the French legislation for implementation of the Bank Recovery and Resolution Directive.

Sponsor

BNP Paribas Securities (Asia) Limited

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IMPORTANT INFORMATION

You should carefully study the risk factors set out in this document and the Listing Documents

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire any Structured Products.

What documents should you read before investing in the Structured Products?

A launch announcement and supplemental listing document of each series of Structured Products will set out the detailed commercial terms of the relevant series. You must read this document (including any addendum to this document to be issued from time to time) together with such launch announcement and supplemental listing document (including any addendum to such launch announcement and supplemental listing document to be issued from time to time) (together, the "**Listing Documents**") before investing in any Structured Products. You should carefully study the risk factors set out in the Listing Documents.

Is there any guarantee or collateral for the Structured Products?

Our obligations under the Structured Products are unconditionally and irrevocably guaranteed by the Guarantor. If we become insolvent or default on our obligations under the Structured Products and the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, you can only claim as an unsecured creditor of the Issuer and the Guarantor. In such event, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

What are our and the Guarantor's credit ratings?

The Issuer's long term credit ratings as of 29 March 2017 is:

Rating agency	***Rating***
S&P Global Ratings ("**S&P**")	A (stable outlook)

Our Guarantor's long term credit ratings as of 29 March 2017 are:

Rating agency	***Rating***
Moody's Investors Service, Inc. ("**Moody's**")	A1 (stable outlook)
S&P	A (stable outlook)
Fitch France S.A.S. ("**Fitch**")	A+ (stable outlook)

The credit ratings are only an assessment by the rating agencies of the Issuer's and the Guarantor's overall financial capacity to pay its debts respectively.

A is among the top three major credit rating categories and is the sixth highest investment-grade ranking of the ten investment-grade ratings (including + or – sub-grades) assigned by S&P.

A1 is among the top three major credit rating categories and is the fifth highest investment-grade ranking of the ten investment-grade ratings (including 1, 2 and 3 sub-grades) assigned by Moody's.

A+ is among the top three major credit rating categories and is the fifth highest investment-grade ranking of the ten investment-grade ratings (including + or – sub-grades) assigned by Fitch.

Please refer to the brief guide in Appendix 4 to this document to what such credit ratings mean.

Rating agencies usually receive a fee from the companies that they rate. When evaluating our and the Guarantor's creditworthiness, you should not solely rely on our and the Guarantor's credit ratings because:

- a credit rating is not a recommendation to buy, sell or hold the Structured Products;
- credit ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- a high credit rating is not necessarily indicative of low risk. Our and the Guarantor's credit ratings as of the above date are for reference only and may be subject to change thereafter. You may visit *www.bnpparibas.com* to obtain information about the credit ratings of us and the Guarantor. Any downgrading of our and the Guarantor's credit ratings could result in a reduction in the value of the Structured Products;

- a credit rating is not an indication of the liquidity or volatility of the Structured Products; and
- a credit rating may be downgraded if the credit quality of the Issuer and/or the Guarantor declines.

The Structured Products are not rated.

Our and the Guarantor's credit ratings are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to our and the Guarantor's credit ratings from time to time.

Is the Issuer or the Guarantor regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

The Issuer is not regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3). The Hong Kong branch of the Guarantor is regulated by the Hong Kong Monetary Authority. The Guarantor is also regulated by Comité des Etablissements de Crédit et des Entreprises d'Investissement.

Is the Issuer or the Guarantor subject to any litigation?

Save as disclosed in this document, the Issuer, the Guarantor and their respective subsidiaries ("**BNP Group**") are not aware of any litigation or claims of material importance pending or threatened against any of them.

Authorisation for the issue of the Structured Products

The issue of the Structured Products was authorised by our board of directors on 31 May 2016.

Has the Guarantor's financial position changed since last financial year-end?

Save as disclosed in Appendix 5 of this document, there has been no material adverse change in the Guarantor's financial or trading position since 31 December 2016.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission ("**SFC**") charges a transaction levy of 0.0027 per cent. in respect of each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of your purchase in addition to the issue price of each Structured Product. See the section headed "Taxation" for further information.

Placing, sale and grey market dealings

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to any Structured Products in any jurisdiction (other than Hong Kong) where action for the purpose is required. No offers, sales, re-sales, transfers or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us or the Guarantor. See the section headed "Placing and Sale" for further information.

Following the launch of a series of Structured Products, we may place all or part of that series with our related party. The Structured Products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in Structured Products by any member of the BNP Group in the grey market to the Stock Exchange on the listing date through the website of the HKEX at *http://www.hkex.com.hk/eng/index.htm*.

Where can you inspect the relevant documents?

The following documents are available for inspection during usual business hours on any weekday (except public holidays) at BNP Paribas Securities (Asia) Limited, 59th-63th Floors, Two International Finance Centre, 8 Finance Street, Central, Hong Kong:

(a) our latest audited financial statements and any interim or quarterly financial statements and the latest audited financial statements and any interim or quarterly financial statements of the Guarantor;

(b) the consent letter of the Guarantor's auditors, Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars (the "**Auditors**");

(c) this document and any addendum to this document;

(d) the launch announcement and supplemental listing document as long as the relevant series of Structured Products is listed on the Stock Exchange;

(e) the instrument executed by us on 3 May 2006 which constitutes the Structured Products; and

(f) the Guarantee.

Requests for photocopies of the above documents will be subject to a reasonable fee which reflects the costs of making such copies.

The Listing Documents are also available on the website of the HKEX at *http://www.hkex.com.hk/eng/dwrc/search/listsearch.asp* and our website at *http://www.bnppwarrant.com.hk*.

各上市文件亦可於香港交易所網站(*http://www.hkex.com.hk/chi/dwrc/search/listsearch_c.asp*)及我們的網站(*http://www.bnppwarrant.com.hk*)瀏覽。

Have the Auditors consented to the inclusion of their report in this document?

As at the date of this document, the Guarantor's Auditors have given and have not withdrawn their written consent to the inclusion of their report dated 7 March 2017 on the consolidated financial statements of the Guarantor for the year ended 31 December 2016 in this document and/or the references to their names in the Listing Documents, in the form and context in which they are included. Their report was not prepared for incorporation into this document.

The Auditors do not hold the Guarantor's shares or shares in its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the Guarantor's securities or securities of any of its subsidiaries.

How can you get further information about BNP Paribas?

You may visit our website at *www.bnpparibas.com* to obtain further information about us and/or the Guarantor.

You must note that the information on our website will be of a general nature and cannot be relied upon as accurate and/or correct and will not have been prepared exclusively for the purposes of any particular financial instrument issued by us, including the Structured Products.

Authorised representatives

Alvin C Chan of 29th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong and Edmond Kwok of 60th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, are our authorised representatives and are authorised to accept services on our behalf in Hong Kong.

Governing law of the Structured Products

All contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of Hong Kong.

The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us, the Guarantor or our respective affiliates to invest in the Structured Products or the underlying asset of the Structured Products.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us or the Guarantor.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the General Conditions set out in Appendix 1 and the Product Conditions applicable to the relevant series of Structured Products set out in Appendices 2 and 3 respectively (together, the "**Conditions**").

OVERVIEW OF WARRANTS

What is a derivative warrant?

A derivative warrant linked to a share, an unit, a commodity, a commodity future, an index, a currency pair or other assets (each an "**Underlying Asset**") is an instrument which gives the holder a right to "buy" or "sell" an Underlying Asset at, or derives its value by reference to, a pre-set price/level/exchange rate called the Exercise Price/Strike Price/Strike Level/ Strike Rate on the Expiry Date. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Warrants are European Style warrants. This means they can only be exercised on the Expiry Date.

A Warrant will, upon exercise on the Expiry Date, entitle you to a cash amount called the "**Cash Settlement Amount**" (net of any Exercise Expenses) (if positive) according to the applicable Conditions.

You will receive the Cash Settlement Amount less any Exercise Expenses upon settlement at expiry. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable to you and you will lose your entire investment.

How do our Warrants work?

Ordinary Warrants

The potential payoff upon expiry or exercise of the Warrants is calculated by us by reference to the difference between:

(a) for a Warrant linked to a security, commodity or commodity future, the Exercise Price/Strike Price and Closing Price/Average Price;

(b) for a Warrant linked to an index, the Strike Level and the Closing Level; and

(c) for a Warrant linked to a currency pair, the Strike Rate and the Spot Rate.

Call Warrants

A call Warrant is suitable to you if you hold a bullish view on the price/level/exchange rate of the Underlying Asset during the term of that call Warrant.

A call Warrant will be exercised if the Average Price/ Closing Price/Closing Level/Spot Rate is greater than Exercise Price/Strike Price/Strike Level/Strike Rate (as the case may be). The more the Average Price/ Closing Price/Closing Level/Spot Rate exceeds the Exercise Price/Strike Price/Strike Level/Strike Rate (as the case may be), the higher the payoff upon expiry or exercise. If the Average Price/Closing Price/Closing Level/Spot Rate is at or below the Exercise Price/Strike Price/Strike Level/Strike Rate (as the case may be), you will lose all your investment.

Put Warrants

A put Warrant is suitable to you if you hold a bearish view on the price/level/exchange rate of the Underlying Asset during the term of that put Warrant.

A put Warrant will be exercised if the Average Price/ Closing Price/Closing Level/Spot Rate is below the Exercise Price/Strike Price/Strike Level/Strike Rate (as the case may be). The more the Average Price/ Closing Price/Closing Level/Spot Rate is below the Exercise Price/Strike Price/Strike Level/Strike Rate (as the case may be), the higher the payoff upon expiry or exercise. If the Exercise Price/Strike Price/ Strike Level/Strike Rate is at or below the Average Price/Closing Price/Closing Level/Spot Rate (as the case may be), you will lose all your investment.

Other types of warrants

The launch announcement and supplemental listing document applicable to other types of Warrants will specify the type of such Warrants and whether such Warrants are exotic Warrants.

Where can you find the Product Conditions applicable to our Warrants?

You should review the Product Conditions applicable to each type of the Warrants before your investment.

The Product Conditions applicable to each type of our Warrants are set out in Parts A to F of Appendix 2 (as may be supplemented by any addendum and/or the relevant launch announcement and supplemental listing document).

What are the factors determining the price of a derivative warrant?

The price of a Warrant generally depends on the prevailing price/level/exchange rate of the Underlying Asset. However, throughout the term of a Warrant, its price/level/exchange rate will be influenced by one or more of the following factors, including:

(a) the Exercise Price/Strike Price/Strike Level/Strike Rate applicable to that Warrant;

(b) the value and volatility of the price/level/exchange rate of the Underlying Asset (being a measure of the fluctuation in the price/level/exchange rate of the Underlying Asset);

(c) the time remaining to expiry: generally, the longer the remaining life of the Warrant, the greater its value;

(d) interest rates;

(e) expected dividend payments or other distributions (if any) on the Underlying Asset or on any components comprising the underlying index;

(f) the liquidity of the Underlying Asset or of the futures contracts relating to the underlying index;

(g) the supply and demand for the Warrant;

(h) our related transaction costs; and

(i) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in our Warrants will be your entire investment amount plus any transaction costs.

How can you get information about the Warrants after issue?

You may visit the HKEX's website at *http://www.hkex.com.hk/eng/prod/secprod/dwrc/dw.htm* or our website at *http://www.bnppwarrant.com.hk* to obtain further information on derivative warrants or any notice given by us or the Stock Exchange in relation to our Warrants.

OVERVIEW OF CBBCS

What are CBBCs?

CBBCs are a type of Structured Products that track the performance of an Underlying Asset. CBBCs can be issued on different types of Underlying Assets as prescribed by the Stock Exchange from time to time, including:

(a) securities listed on the Stock Exchange;

(b) Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng China H-Financials Index; and/or

(c) overseas securities, overseas indices, currencies, commodities (such as oil, gold and platinum), commodity futures or other assets as prescribed by the Stock Exchange from time to time.

A list of eligible Underlying Assets for CBBCs is available on the website of the HKEX at *http://www.hkex.com.hk/eng/prod/secprod/cbbc/underlying_latest.htm*.

CBBCs are issued either as callable bull contracts ("**bull CBBCs**") or callable bear contracts ("**bear CBBCs**"), allowing you to take either bullish or bearish positions on the Underlying Asset.

Bull CBBCs are designed for investors who have an optimistic view on the Underlying Asset. Bear CBBCs are designed for investors who have a pessimistic view on the Underlying Asset.

CBBCs have a mandatory call feature (the "**Mandatory Call Event**") and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of a Mandatory Call Event. See "What are the mandatory call feature of CBBCs?" below.

There are 2 categories of CBBCs, namely:

(a) Category R CBBCs; and

(b) Category N CBBCs.

Your entitlement following the occurrence of a Mandatory Call Event will depend on the category of the CBBCs.

If no Mandatory Call Event occurs, the CBBCs will be exercised automatically on the Expiry Date by payment of a Cash Settlement Amount (if any). The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price/Closing Level of the Underlying Asset on the Valuation Date and the Strike Price/Strike Level.

The Conditions applicable to CBBCs are set out in Parts A, B and C of Appendix 3 (as may be supplemented by any addendum or the relevant launch announcement and supplemental listing document).

What are the mandatory call feature of CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if a Mandatory Call Event occurs. A Mandatory Call Event occurs if the Spot Price/Spot Level of the Underlying Asset is:

(a) at or below the Call Price/Call Level (in the case of a series of bull CBBCs); or

(b) at or above the Call Price/Call Level (in the case of a series of bear CBBCs),

at any time during the Observation Period.

The Observation Period starts from and including the Observation Commencement Date of the relevant CBBCs and ends on and including the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed and such modification and amendment as may be prescribed by the Stock Exchange from time to time:

(a) all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event; and

(b) where the Mandatory Call Event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session, will be invalid and cancelled, and will not be recognised by us or the Stock Exchange.

The time at which a Mandatory Call Event occurs will be determined by reference to:

(a) in respect of CBBCs over single equities ("**Single Equity CBBCs**") or CBBCs over single unit trust ("**Single Unit Trust CBBCs**"), the Stock Exchange's automatic order matching and execution system time at which the Spot

Price is at or below the Call Price (for a series of bull CBBCs) or is at or above the Call Price (for a series of bear CBBCs); or

(b) in respect of CBBCs over index ("**Index CBBCs**"), the time the relevant Spot Level is published by the index compiler at which the Spot Level is at or below the Call Level (for a series of bull CBBCs) or is at or above the Call Level (for a series of bear CBBCs),

subject to the rules and requirements as prescribed by the Stock Exchange from time to time.

Category R CBBCs vs. Category N CBBCs

The launch announcement and supplemental listing document for the relevant series of CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

"**Category N CBBCs**" refer to CBBCs for which the Call Price/Call Level is equal to their Strike Price/ Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

"**Category R CBBCs**" refer to CBBCs for which the Call Price/Call Level is different from their Strike Price/Strike Level. In respect of a series of Category R CBBCs, you may receive a cash payment called the "**Residual Value**" (net of any Exercise Expenses) upon the occurrence of a Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

(a) in respect of a series of bull CBBCs, the difference between the Minimum Trade Price/ Minimum Index Level and the Strike Price/ Strike Level of the Underlying Asset; and

(b) in respect of a series of bear CBBCs, the difference between the Strike Price/Strike Level and the Maximum Trade Price/Maximum Index Level of the Underlying Asset.

You must read the applicable Product Conditions and the relevant launch announcement and supplemental listing document to obtain further information on the calculation formula of the Residual Value applicable to Category R CBBCs.

You may lose all of your investment in a particular series of CBBCs if:

(a) in the case of a series of bull CBBCs, the Minimum Trade Price/Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price/Strike Level; or

(b) in the case of a series of bear CBBCs, the Maximum Trade Price/Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price/Strike Level.

Where can you find the Product Conditions applicable to our CBBCs?

You should review the Product Conditions applicable to each type of the CBBCs before your investment.

The Product Conditions applicable to each type of our CBBCs are set out in Appendix 3.

How is the funding cost calculated?

The issue price of a series of CBBCs is set by reference to (i) the difference between the initial reference spot price/level of the Underlying Asset as at the launch date of the CBBC and the Strike Price/ Strike Level, plus (ii) if applicable, a funding cost.

The initial funding cost applicable to the CBBCs as of the launch date will be specified in the relevant launch announcement and supplemental listing document for the relevant series.

The funding cost is an amount determined by us based on a number of factors, including but not limited to the Strike Price/Strike Level, the prevailing interest rate and, for Single Equity CBBCs or Single Unit Trust CBBCs, the expected dividend/distribution yield in respect of the Underlying Asset.

The funding cost may fluctuate throughout the life of the CBBCs as the funding rate changes from time to time.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant launch announcement and supplemental listing document.

Do you own the Underlying Asset?

CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on the ability of the BNP Group to sell, pledge or otherwise convey all rights, titles and interests in any Underlying Asset or any derivatives products linked to the Underlying Asset.

What are the factors determining the price of a CBBC?

The price of a series of CBBCs tend to mirror the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one unit of Underlying Asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

(a) the Strike Price/Strike Level and the Call Price/Call Level;

(b) the likelihood of the occurrence of a Mandatory Call Event;

(c) for Category R CBBCs only, the probable range of the Residual Value payable upon the occurrence of a Mandatory Call Event;

(d) the time remaining to expiry;

(e) any change(s) in interim interest rates;

(f) expected dividend payments or other distribution on the Underlying Asset or on any components comprising the underlying index;

(g) the probable range of the Cash Settlement Amount;

(h) the supply and demand for the CBBCs;

(i) the liquidity of the Underlying Asset or of the future contracts relating to the underlying index;

(j) our related transaction costs; and/or

(k) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in CBBCs will be your entire investment amount plus any transaction cost.

How can you get information about the CBBCs after issue?

You may visit the HKEX's website at *http://www.hkex.com.hk/eng/prod/secprod/cbbc/Intro.htm* or our website at *http://www.bnppwarrant.com.hk* to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to our CBBCs.

OVERVIEW OF THE BRRD AND ITS IMPLICATIONS TO THE STRUCTURED PRODUCTS

What is the BRRD?

The Bank Recovery and Resolution Directive (2014/59/EU) ("**BRRD**") is a legislative development in the European Union ("**EU**") which was introduced to address the shortcomings in the national laws and regulations of EU Member States for the resolution of failing banks and financial institutions. The BRRD provides that it should be applied by EU Member States from 1 January 2015, except for the Bail-In Power (as described below) which should be applied from 1 January 2016. The implementation date of the BRRD in each EU Member State depends on the implementation legislation enacted, or which will be enacted in each such EU Member State. The BRRD has been implemented in France. In March 2016, the European Commission has adopted a Commission Delegated Regulation setting out a number of regulatory technical standards for the BRRD.

The BRRD provides for the establishment of an EU-wide framework for the recovery and resolution of EU credit institutions and investment firms as well as certain of their group companies falling under the scope of the BRRD. The BRRD requires the governments of all EU Member States to provide their relevant resolution authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of that institution's critical financial and economic functions, while minimising the impact of that institution's failure on the broader economy and financial system.

The BRRD contains four resolution tools and powers (the "**Resolution Tools**") which may be used alone or in combination where the relevant resolution authority considers that (a) an affected institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such affected institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables the relevant resolution authorities to direct the sale of the affected institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables the relevant resolution authorities to transfer all or part of the business of the affected institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables the relevant resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) Bail-In Power (as described in the paragraph headed "What is Bail-In Power" below).

It is important to note that certain protections are granted to the creditors of an EU credit institution in case of the exercise of the Resolution Tools (including the Bail-In Power) over such institution. The most important one is the principle known as the "no creditor worse off principle" as provided for in the BRRD. This principle is intended to ensure that the creditors of an affected institution which is subject to the exercise of the Bail-In Power under the BRRD shall not incur greater losses than they would have incurred if such affected institution had been wound up under normal insolvency proceedings. For this purpose, the relevant resolution authorities in the EU have to ensure that it is assessed at the time of exercise of the Bail-In Power whether shareholders and creditors of an affected institution would have received better treatment if such affected institution had entered into normal insolvency proceedings.

The Issuer is not subject to the BRRD

The Issuer is incorporated as a private limited company under Dutch law as an exempt group finance company under the Dutch Financial Supervision Act, and will not be subject to the BRRD.

The Guarantor is subject to the BRRD

The Guarantor is a credit institution incorporated in France and is subject to French legislation implementing the BRRD.

Under French legislation implementing the BRRD, substantial powers are granted to the *Autorité de contrôle prudentiel et de résolution* ("**ACPR**"), the French resolution authority, and/or to other relevant resolution authorities in the EU, to implement resolution measures (including the use of the Resolution Tools) in respect of a French credit institution (including, for example, the Guarantor) and certain of its affiliates to protect and enhance the stability of the financial system of France if the relevant resolution authorities consider the failure of the relevant entity has become likely and certain other conditions are satisfied.

The Resolution Tools may be exercised over the Guarantor

The exercise of any Resolution Tool or any suggestion of any such exercise under the BRRD over the Guarantor could adversely affect the value of the Structured Products. **You may therefore lose all or a substantial part of your investment in the Structured Products.**

In addition, the resolution powers could be exercised (i) prior to the commencement of any insolvency proceedings in respect of the Guarantor, and (ii) by the relevant resolution authority without your consent or any prior notice to you. It is also uncertain how the relevant resolution authority would assess triggering conditions in different pre-insolvency scenarios affecting the Guarantor under the BRRD. Accordingly, you may not be able to anticipate a potential exercise of any such resolution powers over the Guarantor.

What is "Bail-In Power"?

"Bail-In Power" (as defined in the section headed "Text of the Guarantee of BNP Paribas") means the power of the relevant resolution authorities to write down or convert to equity certain claims of unsecured creditors of a failing institution existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in France, relating to the transposition of the BRRD as amended from time to time, and the instruments, rules and standards created thereunder, pursuant to which, in particular, the obligations of the Guarantor in respect of the Guarantee can be reduced (in part or in whole), cancelled, modified, or converted into shares, other securities or other obligations of the Guarantor or any other person.

Please see the section headed "Text of the Guarantee of BNP Paribas" in this document for further details, in particular clause 6 of the Guarantee with respect to the Bail-In Power.

The Issuer's obligations under the Structured Products are not subject to the "Bail-In Power"

As the Issuer is not subject to the BRRD, the obligations of the Issuer under the Structured Products will not be subject to the exercise of any Bail-In Power in respect of the Issuer.

However, in the event of a default by the Issuer of its obligations under the Structured Products, and if any Bail-In Power is exercised over the Guarantor with respect to the Guarantee, you may not be able to recover all or even part of the amount due under the Structured Products (if any) from the Guarantor under the Guarantee, or you may receive a different security issued by the Guarantor (or another person) in place of the amount (if any) due to you under the Structured Products by the Issuer, which may be worth significantly less than the amount due to you under the Structured Products at expiry. For further details, please refer to the paragraph headed "Risks relating to the BRRD" under the section "Risk Factors" of this document.

The Guarantor's obligations with respect to the Guarantee are subject to the "Bail-In Power"

In addition, the Guarantee includes a contractual term regarding the "Bail-In Power" and any liability covered by the Guarantor will be contractually subject to the exercise of any "Bail-In Power" by the relevant resolution authority if such authority should so decide at the relevant time.

By investing in the Structured Products, you acknowledge, accept, consent and agree to be contractually bound by the exercise of any Bail-In Power by the relevant resolution authorities over the Guarantor. You further acknowledge, accept, consent and agree that your rights under the Guarantee are contractually subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Bail-In Power by the relevant resolution authorities.

The effect of the exercise of the Bail-In Power by the relevant resolution authority over the Guarantor may include and result in any of the following, or some combination thereof:

(a) the reduction of all, or a portion, of the amounts payable by the Guarantor under the terms of the Guarantee (including a reduction to zero);

(b) the conversion of all, or a portion, of the amounts due under the Guarantee into shares or other securities or other obligations of the Guarantor or of another person, including by means of an amendment, modification or variation of the contractual terms, in which case you agree to accept in lieu of your contractual rights under the terms of the Guarantee any such shares, other securities or other obligations of the Guarantor or another person;

(c) the cancellation of the Guarantee;

(d) the amendment or alteration of the maturity of the Guarantee or amendment of the amount of interest payable on the Guarantee, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and/or

(e) if applicable, the variation of the terms of the Guarantee, if necessary to give effect to the exercise of the Bail-In Power by the relevant resolution authority.

Accordingly, in the event of a default by the Issuer of its obligations under the Structured Products guaranteed by the Guarantee and if any Bail-In Power is exercised over the Guarantor with respect to the Guarantee, you may not be able to recover all or even part of the amount due under the Structured Products (if any) from the Guarantor under the Guarantee, or you may receive a different security issued by the Guarantor (or another person) in place of the amount (if any) due to you under the Structured Products from the Issuer, which may be worth significantly less than the amount due to you under the Structured Products (if any).

Moreover, the relevant resolution authorities may exercise the Bail-In Power without providing any advance notice to, or requiring your further consent.

Please refer to the paragraph headed "Risks relating to the BRRD" under the section "Risk Factors" of this document for further details of the relevant risk factors applicable to the Structured Products.

DESCRIPTION OF THE ISSUER

History

Our name is:

BNP Paribas Arbitrage Issuance B.V.

We are a private limited company under Dutch law ("**besloten vennootschap met beperkte aansprakelijkheid**"), having its registered office at Herengracht 595, 1017 CE Amsterdam, the Netherlands and registered with the Commercial Register under number 33215278. We were incorporated on 10 November 1989.

Business

Our objects are:

(a) to borrow, lend out and collect monies, including but not limited to the issue or the acquisition of debentures, debt instruments, financial instruments such as, among others, warrants and certificates of any nature, with or without indexation based on, inter alia, shares, basket of shares, stock exchange indexes, currencies, commodities or futures on commodities, and to enter into related agreements;

(b) to finance enterprises and companies;

(c) to establish and to in any way participate in, manage and supervise enterprises and companies;

(d) to offer advice and to render services to enterprises and companies with which the company forms a group of companies, and to third parties;

(e) to grant security, to bind the company and to encumber assets of the company for the benefit of enterprises and companies with which the company forms a group of companies, and of third parties;

(f) to acquire, manage, exploit and dispose of registered property and asset value in general;

(g) to trade in currencies, securities and asset value in general;

(h) to exploit and trade in patents, trademark rights, licences, know-how and other industrial rights of ownership;

(i) to engage in industrial, financial and commercial activities of any nature,

and all other things as may be deemed incidental or conducive to the attainment of the above objects, in the broadest sense of the word.

Share capital

The authorised share capital is composed of 225,000 euros divided into 225,000 shares of one euro each. The issued share capital is 45,379 euros, divided in 45,379 shares of one euro each.

All shares are registered shares and no share certificates have been issued.

Management

Management Board

Our management will be composed of a Management Board with one or several members appointed by the general meeting of shareholders.

Duties of the Management Board

Within the limits of the constitutional documents, the Management Board will be responsible for our management.

Delegation of management

BNP Paribas is our sole shareholder. On 31 January 2016, BNP Paribas has appointed as sole member of the Management Board BNP Paribas Finance B.V., a company established and existing under the laws of the Netherlands, with its registered office at Herengracht 595, 1017 CE Amsterdam, the Netherlands. Messrs. Herskovic, Sibille, Sijsling and Thielemans as directors of BNP Paribas Finance B.V. have the power to take all necessary measures in relation to the issue of securities of BNP Paribas Arbitrage Issuance B.V..

DESCRIPTION OF THE GUARANTOR

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 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), thereby creating a European leader in Retail Banking, with four domestic markets.

Key figures – Ratings

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.

Capital Stock

As at 31 December 2016, BNP Paribas' share capital stood at €2,494,005,306 divided into 1,247,002,653 shares.

Further information

For more information on BNP Paribas, please visit http://invest.bnpparibas.com/en.

Board of Directors

The following table sets forth the names of the current members of the Board of Directors, their current function at the Bank, their business address and their principal business activities outside of the Bank as at 31 December 2016, except where specified:

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 **Director of:** TEB Holding AS (Turkey) **Chairman of:** Centre for Prospective Studies and International Information (CEPII) **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 **Director of:** Bank Gospodarki Zywnosciowej (BGZ) (Poland), TEB Holding AS (Turkey) **Chairman of:** Centre for Prospective Studies and International Information (CEPII) **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 **Director of:** Carrefour, BNP Paribas Fortis (Belgium)	**Director and Chief Executive Officer of:** BNP Paribas **Director of:** Carrefour, BNP Paribas Fortis (Belgium)	**Director and Chief Executive Officer of:** BNP Paribas **Director of:** Carrefour, Banca Nazionale del Lavoro (Italy), BNP Paribas Fortis (Belgium)	**Director and Chief Executive Officer of:** BNP Paribas **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 **Director of:** BNP Paribas, GIE SGPM Recherches, Saint-Gobain Corporation (United States)	**Chairman and Chief Executive Officer of:** Compagnie de Saint-Gobain **Director of:** BNP Paribas, GIE SGPM Recherches, Saint-Gobain Corporation (United States), Veolia Environnement	**Chairman and Chief Executive Officer of:** Compagnie de Saint-Gobain **Chairman of:** Verallia **Director of:** BNP Paribas, Veolia Environnement, Saint-Gobain Corporation (United States), GIE SGPM Recherches	**Chairman and Chief Executive Officer of:** Compagnie de Saint-Gobain **Chairman of:** Verallia **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:
Chairwoman of the Board of directors of: Proxima Investment SA (Luxembourg)
Vice-Chairwoman and member of the Supervisory Board of: Hermès
Director of: BNP Paribas, Safran, Apax Partners Midmarket SAS
Member of: Special Committee (advisory body) of Global Project SAS, Supervisory Board of JC Decaux

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

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

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

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

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

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

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

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

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

Offices(1) held in listed or unlisted companies outside the BNP Paribas Group, in France or abroad
Invesco Ltd(*) (United States), Director
SCOR SE(*), Chairman and Chief Executive Officer

Participation(1) in specialised committees of French or foreign companies
BNP Paribas, Chairman of the Financial Statements Committee Invesco Ltd, member of the Audit Committee, Compensation Committee, and Corporate Governance and Nominations Committee SCOR SE, Chairman of the Strategic Committee

Other(1)
Institut des Sciences morales et politiques, member Geneva Association, member of the Board of directors Conference Board, member (Global counsellor)
Global Reinsurance Forum – Reinsurance Advisory
Board, member

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

2015:	2014:	2013:	2012:
Chairman and Chief Executive Officer of: SCOR SE **Director of:** BNP Paribas, Invesco Ltd (United States) **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 **Director of:** BNP Paribas, Invesco Ltd (United States) Member of the Supervisory Board of: Yam Invest NV (Netherlands) **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 **Director of:** BNP Paribas, Dassault Aviation, Invesco Ltd (United States) Member of the Supervisory Board of: Yam Invest NV (Netherlands) **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 **Director of:** BNP Paribas, Bolloré, Dassault Aviation, Fonds Stratégique d'Investissement, Invesco Ltd (United States) Member of the Supervisory Board of: Yam Invest NV (Netherlands) **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.

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 **Member of:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar)	**Director of:** BNP Paribas, Shan SA, Smart Trade Technologies SA **Member of:** Board of the Qatar Financial Centre Regulatory Authority (QFCRA), Doha (Qatar)	**Director of:** BNP Paribas, Smart Trade Technologies SA, Shan SA **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 **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, **Director of:** BNP Paribas **Member of:** Commission paritaire de la Banque (Association Française des Banques – Recourse Commission)	Judge at the Paris Employment Tribunal, Management Section, **Director of:** BNP Paribas **Member of:** Commission paritaire de la Banque (Association Française des Banques – Recourse Commission)	Judge at the Paris Employment Tribunal, Management Section, **Director of:** BNP Paribas **Member of:** Commission paritaire de la Banque (Association Française des Banques – Recourse Commission)	Judge at the Paris Employment Tribunal, Management Section, **Director of:** BNP Paribas **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
Principal function: Manager of Gradiva

Date of birth: 31 August 1959
Nationality: French
Term start and end dates: 13 May 2015 – 2018 AGM
Date first elected to the Board: 23 May 2006

Number of BNP Paribas shares held[(1)]: 1,255
Office address: Immeuble Millénaire 2
35, rue de la Gare
75019
PARIS,
FRANCE

Education
Graduate of the Institut d'Études Politiques de Paris
Master's in Public Law, Université de Nancy II
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
BNP Paribas[(*)], Director

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

Participation[(1)] in specialised committees of French or foreign companies
BNP Paribas, Chairman of the Corporate Governance, Ethics, Nominations and CSR Committee
EDF, member of the Audit Committee and the Strategy Committee

Other[(1)]
Scientific and Assessment Board of Fondapol, Chairwoman Fondation Nationale des Sciences Politiques, Director, member of the Audit Committee
Université franco-allemande, Director
European Council for Foreign Relations, member 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:
Vice-Chairwoman of the Management Board of: Ifop SA
Honorary Chairwoman of: Mouvement des Entreprises de France (Medef)
Chairwoman of: Scientific and Assessment Board of Fondapol
Director of: BNP Paribas, EDF
Member of: European Council for Foreign Relations

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

2013:
Vice-Chairwoman of the Management Board of: Ifop SA
Honorary Chairwoman of: Mouvement des Entreprises de France (Medef)
Director of: BNP Paribas, Coface SA, Fives
Member of: the Supervisory Board of Compagnie Générale des Établissements Michelin (SCA)

2012:
Vice-Chairwoman of the Management Board of: Ifop SA
Chairwoman of: Mouvement des Entreprises de France (Medef)
Director of: BNP Paribas, Coface SA
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 **Member of:** Board of directors de l'Association Notre Europe – Jacques Delors Institute, Board of directors of United Europe (Germany)	**Director of:** BNP Paribas **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:
Director of: BNP Paribas CapitalatWork, Foyer Group SA (Luxembourg), Foyer SA (Luxembourg), Lhoist Group SA (Belgium), Sofina SA (Belgium)
Member of: the Board of directors of the Royal Automobile Club of Belgium (Belgium), Board of directors of Université Catholique de Louvain (Belgium)
Manager: Strafin sprl (Belgium)
Senior advisor: Cinven Ltd (United Kingdom)

2014:
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)
Member of: the Board of directors of the Royal Automobile Club of Belgium (Belgium), Board of directors of Université Catholique de Louvain (Belgium)
Manager of: Strafin sprl (Belgium)
Senior advisor: Cinven Ltd (United Kingdom)

2013:
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)
Member of: the Board of directors of the Royal Automobile Club of Belgium (Belgium), Board of Directors of Université Catholique de Louvain (Belgium)
Senior advisor: Cinven Ltd (United Kingdom)

2012:
Chairman of: Guardian Holdings Limited (Jersey), Guardian Acquisitions Limited (United Kingdom)
Director of: BNP Paribas Sofina SA (Belgium), Lhoist Group SA (Belgium), Foyer Assurances SA (Luxembourg), CapitalatWork Groupe Foyer: SA (Luxembourg)
Member of: the Board of directors of the Royal Automobile Club of Belgium (Belgium), Board of directors of Université Catholique de Louvain (Belgium)
Senior advisor: Cinven Ltd (United Kingdom)

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

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

2015:
Director of: BNP Paribas

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

(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:
Director of: BNP Paribas, Bilt Paper B.V. (Netherlands), SCOR SE
Member of: the Board of the Batten School of Leadership – University of Virginia (United States)

2014:
Director of: BNP Paribas, Bilt Paper B.V (Netherlands), SCOR SE, Ministry of Justice of Her Majesty's Government (United Kingdom)
Member of: the Board of the Batten School of Leadership – University of Virginia (United States)

2013:
Director of: BNP Paribas, CDC Group Plc, Ballarpur Industries Ltd (BILT), SCOR SE, Ministry of Justice of Her Majesty's Government (United Kingdom)
Member of: the Board of the Batten School of Leadership – University of Virginia (United States)

2012:
Director of: BNP Paribas, CDC Group Plc, Ballarpur International Graphic Paper Holdings
Member of: the Board of the Batten School of Leadership – University of Virginia (United States)

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

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 U.S. 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 with representatives of certain shareholder groups a proposed settlement 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.

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of the Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant launch announcement and supplemental listing document.

General risks in relation to us and the Guarantor

Structured Products are unsecured obligations

The Structured Products are not secured on any of our or the Guarantor's assets or any collateral. Each series of Structured Products will constitute our general unsecured contractual obligations and the general unsecured contractual obligations of the Guarantor and of no other person and will rank pari passu with our other unsecured contractual obligations and the unsecured and unsubordinated debt of the Guarantor. At any given time, the number of Structured Products outstanding may be substantial.

Creditworthiness

If you purchase our Structured Products, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Structured Products against:

(a) any company which issues the underlying shares;

(b) the trustee or the manager of the underlying trust; or

(c) any index compiler of the underlying index

As our obligations under the Structured Products are unsecured, we do not guarantee the repayment of capital invested in any Structured Product.

If we become insolvent or default on our obligations under the Structured Products or the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, you can only claim as our or the Guarantor's unsecured creditor regardless of the performance of the underlying asset and you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Any downgrading of the Guarantor's rating by rating agencies such as Moody's, S&P or Fitch could result in a reduction in the trading value of the Structured Products.

No deposit liability or debt obligation

In respect of cash settled Structured Products, we have the obligation to deliver to you the Cash Settlement Amount (net of any Exercise Expenses) in accordance with the Conditions of each series of Structured Products upon expiry.

It is not our intention by the issue of any Structured Product (expressed, implicit or otherwise) to create a deposit liability of us or the Guarantor or a debt obligation of any kind.

Conflicts of interest

The BNP Group engages in commercial, banking and other activities for our own account or the account of others and, in connection with our other business activities, may possess or acquire material information about the Underlying Assets to which the relevant Structured Product is linked. Such activities may involve or otherwise affect the Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Structured Products by us. Such actions and conflicts may include, without limitation, the purchase and sale of securities and/or exercise of creditor rights. The BNP Group:

(a) has no obligation to disclose such information about the Underlying Assets or such activities. The BNP Group and our respective officers and directors may engage in any such activities without regard to the issue of Structured Products by us or the effect that such activities may directly or indirectly have on any Structured Product;

(b) may from time to time engage in transactions involving the Underlying Assets for its accounts and/or for accounts under its management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the price/level of the Underlying Assets and consequently upon the value of the relevant series of Structured Products;

(c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider; and/or

(d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of Structured Products.

General risks in relation to Structured Products

You may lose all your investment in the Structured Products

Structured Products involve a high degree of risk, and are subject to a number of risks which may include interest rate, foreign exchange, time value, market and/or political risks. Structured Products may expire worthless.

Generally speaking, options, warrants and equity linked instruments are priced primarily on the basis of the price/level/exchange rate of the Underlying Asset, the volatility of the Underlying Asset's price/level/exchange rate and the time remaining to expiry of the Structured Product.

The price of Structured Products generally may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price, index level or exchange rate of a Structured Product moves in a direction against you, the greater the risk that you will lose all or a significant part of your investment.

The risk of losing all or any part of the purchase price of a Structured Product means that, in order to recover and realise a return on your investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price/level/exchange rate of the Underlying Asset as may be specified in the relevant launch announcement and supplemental listing document.

Changes in the price/level/exchange rate of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price/level/exchange rate of the Underlying Asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price/level/exchange rate of the relevant Underlying Asset does not move in your anticipated direction.

The value of the Structured Products may be disproportionate with or opposite to movement in the price/level/exchange rate of the Underlying Assets

An investment in Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Assets. The market values of Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. It is possible that while the price/level/exchange rate of the Underlying Assets is moving up, the value of the Structured Product is falling.

If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in an Underlying Asset specified in the relevant launch announcement and supplemental listing document, you should recognise the complexities of utilising Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price/level/exchange rate of the Underlying Asset. Due to fluctuations in supply and demand for Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset. The Structured Products may not be a perfect hedge to the Underlying Asset or portfolio of which the Underlying Asset forms a part.

It may not be possible to liquidate the Structured Products at a level which directly reflects the price/level/exchange rate of the Underlying Asset or portfolio of which the Underlying Asset forms a part. Therefore, it is possible that you could suffer substantial losses in the Structured Products in addition to any losses suffered with respect to investments in or exposures to the Underlying Asset.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of Structured Products and at what price such series of Structured Products will trade in the secondary market and whether such market will be liquid or illiquid. The fact that the Structured Products are listed does not necessarily lead to greater liquidity than if they were not listed.

If any series of Structured Products are not listed or traded on any exchange, pricing information for such series of Structured Products may be difficult to obtain and the liquidity of that series of Structured Products may be adversely affected.

The liquidity of any series of Structured Products may also be affected by restrictions on offers and sales of the Structured Products in some jurisdictions.

Transactions in off-exchange Structured Products may be subject to greater risks than dealing in exchange-traded Structured Products. To the extent that any Structured Products of a series is closed out, the number of Structured Products outstanding in that series will decrease, which may result in a lessening of the liquidity of Structured Products. A lessening of the liquidity of the affected series of Structured Products may cause, in turn, an increase in the volatility associated with the price of such Structured Products.

While we have appointed, or will appoint, a liquidity provider for the purposes of making a market for each series of Structured Products, there may be circumstances outside our control or the appointed liquidity provider's control where the appointed liquidity provider's ability to make a market in some or all series of Structured Products is limited, restricted and/or, without limitation, frustrated. The more limited the secondary market, the more difficult it may be for you to realise the value of the Structured Products prior to expiry.

Interest rates

Investments in the Structured Products may involve interest rate risk with respect to the currency of denomination of the Underlying Assets and/or the Structured Products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time decay

The settlement amount of certain series of Structured Products at any time prior to expiration may be less than the trading price of such Structured Products at that time. The difference between the trading price and the settlement amount will reflect, among other things, a "time value" of the Structured Products. The "time value" of the Structured Products will depend partly upon the length of the period remaining to expiration and expectations concerning the price/level/exchange rate of the Underlying Assets. The value of a Structured Product will decrease over time. Therefore, the Structured Products should not be viewed as products for long term investments.

Exchange rate risk

There may be an exchange rate risk in the case of cash settled Structured Products where the Cash Settlement Amount will be converted from a foreign currency into the Settlement Currency. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

Possible early termination for illegality or impracticability

If the Conditions provide for termination due to illegality and we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, the performance of (i) our obligations under the relevant Structured Products or (ii) our Guarantor's obligations under the Guarantee has become illegal or impracticable, we may terminate early the relevant Structured Products. If we terminate early the relevant Structured Products, we will, if and to the extent permitted by applicable law, pay an amount determined by us in good faith and in a commercially reasonable manner to be the fair market value of the relevant Structured Products notwithstanding the illegality or impracticability less our cost of unwinding the underlying hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Foreign Account Tax Compliance withholding may affect payments on the Structured Products

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

While the Structured Products are in dematerialised form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. An Issuer's obligations under the Structured Products are discharged once it has paid the clearing systems and an Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Taxation in the United States of America – Foreign Account Tax Compliance Act*."

Modification to the Conditions

Under the Conditions, we may, without your consent, effect any modification of the terms and conditions applicable to the Structured Products which, in our opinion, is:

(a) not materially prejudicial to the interest of the holders of the Structured Products generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction);

(b) of a formal, minor or technical nature;

(c) to correct a manifest error; or

(d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Risks in relation to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to:

(a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the underlying shares or units in the underlying trust would normally be entitled to; or

(b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in Structured Products may involve valuation risks in relation to the Underlying Asset to which the particular series of Structured Products relate. The price/level/exchange rate of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors, market trends, speculation and/or (where the Underlying Asset is an index) changes in the formula for or the method of calculating the index.

Where the Structured Products are linked to certain Underlying Asset in a developing financial market, you should note a developing financial market differs from most developed markets in various aspects, including the growth rate, government involvement and control, level of development and foreign exchange control. Any rapid or significant changes in the economic, political or social condition and the government policies of the developing financial market may result in large fluctuations in the value or level of the Underlying Asset. Such fluctuations may affect the market value of the Structured Products and hence your investment return.

Where the Structured Products are linked to a currency pair as the Underlying Asset, you should note that the foreign exchange market can be very volatile and unpredictable. Exchange rate of the currencies may fluctuate as a result of market, economic and/or political conditions in the principal financial centres of the countries of the currencies and also in other countries. For example, it can be affected by change of governments' monetary or foreign exchange policies, rates of inflation, interest rate levels and the extent of governmental surpluses or deficits in the relevant countries. Such fluctuations may affect the market value of the Structured Products and hence your investment return.

You must be experienced in dealing in these types of Structured Products and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Structured Product in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions. You have limited anti-dilution protection under the Conditions. We may, in our sole discretion:

(a) in respect of Structured Products relating to single equities or unit trust, adjust, among other things, the Entitlement, the Exercise Price/ Strike Price and the Call Price (if applicable) upon exercise or any other terms (including without limitation the closing price of the Underlying Asset) of any series of Structured Products for events such as rights issue, bonus issue, subdivision, consolidation, restructuring event or certain cash distribution;

(b) in respect of Structured Products relating to an index, determine the Closing Level;

(c) in respect of Structured Products relating to a commodity or commodity futures, adjust, among other things, the Closing Price and if applicable, the Price Source and/or the Exchange Rate; or

(d) in respect of Structured Products relating to a currency pair, adjust, among other things, the Spot Rate and the Settlement Exchange Rate (if applicable).

However, we are not obliged to make an adjustment for every event that may affect an Underlying Asset, in which case the market price of the Structured Products and the return upon the expiry of the Structured Products may be affected.

In the case of Structured Products which relate to an index, the level of the index may be published by the index compiler at a time when one or more components comprising the index are not trading. If this occurs on the Valuation Date which does not constitute a Market Disruption Event under the Conditions, then the Closing Level of the index is calculated by reference to the remaining components in the index. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

If an Underlying Asset is suspended from trading or dealing for whatever reason on the market on which it is listed or dealt in (including the Stock Exchange), trading in the relevant series of Structured Products may be suspended for a similar period. The value of the Structured Products will decrease over time as the length of the period remaining to expiration becomes shorter. You should note that in the case of a prolonged suspension period, the market price of the Structured Products may be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the Structured Products. This may adversely affect your investment in the Structured Products.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any termination or expiry, as the case may be, of Structured Products, there may be a time lag between the date on which the Structured Products are terminated or expired, and the time the applicable settlement amount is paid to you. Any such delay between the time of termination or expiry and the payment of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the termination or expiry of such Structured Products arising from a determination by us that a Market Disruption Event, Settlement Disruption Event or delisting of the underlying shares or units in the underlying trust has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

That applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount or entitlement value (as the case may be) of the Structured Products.

You should note that in the event of there being a Settlement Disruption Event or a Market Disruption Event, payment of the Cash Settlement Amount may be delayed as more fully described in the Conditions.

Risks relating to Structured Products over trusts

In the case of Structured Products which relate to the units of a trust:

(a) the BNP Group is not able to control or predict the actions of the trustee or the manager of the relevant trust. Neither the trustee nor the manager of the relevant trust (i) is involved in the offer of any Structured Product in any way, or (ii) has any obligation to consider the interest of the holders of any Structured Product in taking any actions that might affect the value of any Structured Product; and

(b) we have no role in the relevant trust. The trustee or manager of the relevant trust is responsible for making investment and other trading decisions with respect to the management of the relevant trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant trust. The manner in which the relevant trust is managed and the timing of actions may have a significant impact on the performance of the relevant trust. Hence, the market price of the relevant units is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units of an exchange traded fund ("**ETF**"), you should note that:

(a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;

(b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and

(c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the Structured Products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the Underlying Asset comprises the units of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track ("**Synthetic ETF**"), you should note that:

(a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF.

Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and

(b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of Structured Products linked to such ETF or Synthetic ETF.

*RQFII ETF ("**RQFII ETF**")*

An RQFII ETF is issued and traded outside Mainland China with direct investment in the Mainland China's securities markets through the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime. Where the Underlying Asset comprises the units of an RQFII ETF, you should note that, amongst others:

(a) the novelty and untested nature of an RQFII ETF make it riskier than traditional ETFs investing directly in more developed markets. The policy and rules for RQFII prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to its implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of the relevant trust and the trading price of the relevant units;

(b) an RQFII ETF primarily invests in securities traded in the Mainland China's securities markets and is subject to concentration risk. Investment in the Mainland China's securities markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of an RQFII ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets; and

(c) an RQFII ETF will utilise its manager's RQFII quota allocated to such fund under the RQFII regime. In the event that RQFII quota allocated to the RQFII ETF is reached and the manager is unable to acquire additional RQFII quota for the RQFII ETF, the manager may need to suspend creation of further units of the RQFII ETF, and therefore may affect liquidity in unit trading of the RQFII ETF. In such event, the trading price of a unit of the RQFII ETF is likely to be at a significant premium to its net asset value, and may be highly volatile.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Please read the offering documents of the relevant RQFII ETF to understand its key features and risks.

ETF traded through dual counters model

Where the Underlying Asset comprises the units of an ETF which adopts the dual counters model for trading its units on the Stock Exchange in Renminbi ("**RMB**") and Hong Kong dollars ("**HKD**") separately, the novelty and relatively untested nature of the Stock Exchange's dual counters model may bring the following additional risks:

(a) the Structured Products may be linked to the HKD-traded units or the RMB-traded units. If the Underlying Asset is the HKD-traded units, movements in the trading prices of the RMB-traded units should not directly affect the price of the Structured Products. Similarly, if the Underlying Asset is the RMB-traded units, movements in the trading prices of the HKD-traded units should not directly affect the price of the Structured Products;

(b) if there is a suspension of inter-counter transfer of such units between the HKD counter and the RMB counter for any reason, such units will only be able to be traded in the relevant currency counter on the Stock Exchange, which may affect the demand and supply of such units and have an adverse effect on the price of the Structured Products; and

(c) the trading price on the Stock Exchange of the HKD-traded units and RMB-traded units may deviate significantly due to different factors, such as market liquidity, RMB conversion risk, supply and demand in each counter and the exchange rate between RMB and HKD. Changes in the trading price of the Underlying Asset in HKD or RMB (as the case may be) may adversely affect the price of the Structured Products.

*Real estate investment trust ("**REIT**")*

Where the Underlying Asset comprises the units of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Risk Relating to CBBCs

Correlation between the price of a CBBC and the price/level of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price/level close to its Call Price/Call Level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate with the change in the price/level of the Underlying Asset.

Payout under CBBCs

It is expected that the value of each entitlement of CBBCs tends to mirror the value of the Underlying Asset. However, you are warned that the price of CBBCs will be determined not only by the trading value of the Underlying Asset but also by the impact of financing costs and/or dividends during the period in which the CBBCs are held by you. In particular, when the value of the Underlying Asset is close to the Call Price/Call Level, the price of the CBBCs will be more volatile.

Mandatory Call Event is irrevocable

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(a) system malfunction or other technical errors of HKEX (such as the setting up of wrong Call Price/Call Level and other parameters); or

(b) manifest errors caused by the relevant third party price source (such as miscalculation of the index level by the relevant index compiler),

and in each case, we agree with the Stock Exchange that such Mandatory Call Event is to be revoked within such time as specified in the relevant launch announcement and supplemental listing document following the trading day on which the Mandatory Call Event is triggered. Upon revocation of the Mandatory Call Event, trading of the CBBCs will resume and any trade cancelled after such Mandatory Call Event will be reinstated.

Non-recognition of Post MCE Trades

The Stock Exchange and its recognised exchange controller, HKEX, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence)), or any other legal or equitable grounds and, without regard to the circumstances giving rise to any purported claim (except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading ("**Trading Suspension**") or the non-recognition of trades after a Mandatory Call Event ("**Non-Recognition of Post MCE Trades**"), including, without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

The BNP Group shall not have any responsibility towards you for any losses suffered as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades, in connection with the occurrence of a Mandatory Call Event, the resumption of trading of the CBBCs or reinstatement of any Post MCE Trades cancelled as a result of the reversal of any Mandatory Call Event, notwithstanding that such Trading Suspension and/or Non-Recognition of Post MCE Trades occur as a result of an error in the observation of the event.

Residual Value may not include residual funding cost

For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event may or may not include the residual funding cost for the CBBCs. You may not receive any residual funding cost back from us upon early termination of a Category R CBBC upon a Mandatory Call Event.

Delay in announcements of a Mandatory Call Event

The Stock Exchange will notify the market as soon as practicable after the CBBC has been called upon the occurrence of a Mandatory Call Event. You must however be aware that there may be delay in the announcement of a Mandatory Call Event due to technical errors or system failures and other factors that are beyond our control or the control of the Stock Exchange.

Our hedging activities may adversely affect the price/level of the Underlying Asset

Any member of the BNP Group may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset (whether for risk reduction purposes or otherwise). In addition, in connection with the offering of any CBBCs, we and/or any member of the BNP Group may enter into one or more hedging transactions with respect to the Underlying Asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any member of the BNP Group may enter into transactions in the Underlying Asset which may affect the market price, liquidity or price/level of the Underlying Asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. The BNP Group is likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which the BNP Group provides in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

The trading and/or hedging activities of the BNP Group related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price/level of the Underlying Asset and may trigger a Mandatory Call Event. In particular, when the Underlying Asset is trading close to the Call Price/Call Level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price/level of the Underlying Asset, leading to a Mandatory Call Event.

In respect of Category N CBBCs, the BNP Group may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a Mandatory Call Event.

In respect of Category R CBBCs, before the occurrence of a Mandatory Call Event, the BNP Group may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a Mandatory Call Event, the BNP Group may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the trading price/level of the Underlying Asset and consequently the Residual Value of the CBBCs.

Adjustment related risk

We will make such adjustments as we consider appropriate as a consequence of certain corporate actions or index adjustment events affecting the Underlying Asset. Please refer to the subsection "Adjustment related risk" under the section "Risks in relation to the Underlying Asset".

In addition, for Single Equity CBBCs and Single Unit Trust CBBCs, if the Underlying Asset ceases to be listed on the Stock Exchange during the term of the CBBCs, we may make adjustments and amendments to the rights attaching to the CBBCs pursuant to Condition 6 of the Product Conditions of the relevant CBBCs set out in Part A and Part C of Appendix 3. Such adjustments and amendments will be conclusive and binding on you.

Risk relating to the legal form of the Structured Products

Each Structured Product will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of Central Clearing and Settlement System ("**CCASS**")). A risk of investing in a security that is issued in global registered form and held on your behalf within a clearing system effectively means that evidence of your title, as well as the efficiency of ultimate delivery of the Cash Settlement Amount, will be subject to the General Rules of CCASS and CCASS Operational Procedures ("**CCASS Rules**"). You should be aware of the following risks:

(a) you will not receive definitive certificates where the Structured Products remain in the name of HKSCC Nominees Limited for the entire life of the Structured Products;

(b) any register that is maintained by us or on our behalf, whilst available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;

(c) you will have to rely solely upon your brokers/custodians and the statements you receive from such party as evidence of your interest in the investment;

(d) notices or announcements will be published on the HKEX's website and/or released by HKSCC to its participants via CCASS in accordance with the CCASS Rules. You will need to check the HKEX's website regularly and/or rely on your brokers/custodians to obtain such notices/announcements; and

(e) following the Expiry Date and the determination by us as to the Cash Settlement Amount, our obligations to you will be duly performed by payment of the Cash Settlement Amount (net of any Exercise Expenses) to HKSCC Nominees Limited as the "holder" of the Structured Products. HKSCC or HKSCC Nominees Limited will then distribute the received Cash Settlement Amount (net of any Exercise Expenses) to the respective CCASS participants in accordance with the CCASS Rules.

Potential fee arrangements with brokers and potential conflicts of interest of brokers

To the extent permissible by the applicable laws, regulations, codes and guidelines and/or recommendations (whether imposed by applicable law or by competent regulatory authorities) in effect from time to time, we may or may not enter into fee arrangements with brokers with respect to the Structured Products or dealings in, or related to, the relevant Underlying Asset. You should note that brokers with whom we have a fee arrangement (if any) do not, and cannot be expected to, deal exclusively in, or related to, the Structured Products or any relevant Underlying Asset and may from time to time engage in other dealings for their own accounts and/or for the accounts of their clients. Potential conflicts of interests may arise from the different roles played by such brokers in connection with their dealings in, or related to, the Structured Products, the relevant Underlying Asset and/or other financial products (including those issued by other institutions over the same relevant Underlying Asset). A broker's interests (economic or otherwise) in each role may potentially affect the Structured Products and/or the relevant Underlying Asset in a manner that may cause adverse consequences to you if you invest in the Structured Products.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of Structured Products such that the effect of any individual risk factor may not be predictable. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of Structured Products.

Risks relating to the BRRD

Regulatory action(s) by the relevant resolution authorities in the event that the Guarantor is failing or likely to fail could materially affect the value of the Structured Products, and you may not be able to recover all or even part of the amount due by the Issuer under the Structured Products (if any)

The Guarantor is a bank incorporated in France and is subject to French legislation for implementing the BRRD. The BRRD provides for the establishment of an EU framework for the recovery and resolution of credit institutions and investment firms falling under the scope of the BRRD. The BRRD requires the governments of all EU Member States to provide their relevant resolution authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of that institution's critical financial and economic functions, while minimising the impact of that institution's failure on the broader economy and financial system.

Under French legislation implementing the BRRD, substantial powers are granted to the ACPR and/or other relevant resolution authorities in the EU, to implement resolution measures in respect of a relevant entity (including, for example, the Guarantor) to protect and enhance the stability of the financial system of France if the relevant resolution authorities consider the failure of the relevant entity has become likely and certain other conditions are satisfied.

These powers include share transfer powers, property transfer powers (including powers for the partial transfer of property, rights and liabilities), and resolution instrument powers (including powers to make special bail-in provisions) over the relevant affected financial institution(s). In connection with the exercise of these powers under the BRRD, the relevant resolution authorities may take various actions in relation to certain liabilities of the Guarantor (including the Guarantee granted by the Guarantor over the Issuer's liabilities due under the Structured Products if such authorities consider amounts due under any such guarantee to fall within the scope of the Bail-In Power) without your consent, including (if applicable, among other things):

(a) transferring the Guarantee to another person (such as parent undertaking or a bridge institution) notwithstanding any restrictions on transfer under the terms of the Guarantee;

(b) the reduction of all, or a portion, of the amounts payable by the Guarantor under the terms of the Guarantee (including a reduction to zero);

(c) the conversion of all, or a portion, of the amounts due under the Guarantee into shares or other securities or other obligations of the Guarantor or of another person, including by means of an amendment, modification or variation of the terms of the Guarantee, in which case you agree to accept in lieu of your contractual rights under the terms of the Guarantee any such shares, other securities or other obligations of the Guarantor or another person;

(d) the cancellation of the Guarantee;

(e) the amendment or alteration of the maturity of the Guarantee or amendment of the amount of interest payable on the Guarantee, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and/or

(f) if applicable, the variation of the terms of the Guarantee, if necessary to give effect to the exercise of the Bail-In Power by the relevant resolution authority.

The exercise of any resolution power or any suggestion of such exercise under the BRRD over the Guarantor could adversely affect the value of the Structured Products, and you may not be able to recover all or even part of the amount due under the Structured Products (if any). **You may therefore lose all or a substantial part of your investment in the Structured Products.**

In addition, the resolution powers could be exercised (i) prior to the commencement of any insolvency proceedings in respect of the Guarantor, and (ii) by the relevant resolution authorities without your consent or any prior notice to you. It is also uncertain how the relevant resolution authorities would assess triggering conditions in different pre-insolvency scenarios affecting the Guarantor under the BRRD. Accordingly, you may not be able to anticipate a potential exercise of any such resolution powers over the Guarantor and/or the Guarantee.

By investing in the Structured Products, you acknowledge, accept, consent and agree to be bound by the exercise of any Bail-In Power by the relevant resolution authorities

By investing in the Structured Products, you acknowledge, accept, consent and agree to be contractually bound by the exercise of any Bail-In Power by the relevant resolution authorities over the Guarantor. You further acknowledge, accept, consent and agree that your rights under the Guarantee are contractually subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Bail-In Power by the relevant resolution authorities over the Guarantor. Accordingly, if any Bail-In Power is exercised over the Guarantor, you may not be able to recover all or even part of the amount due under the Structured Products (if any), or you may receive a different security issued by the Guarantor (or another person) in place of the amount due to you under the Structured Products (if any), which may be worth significantly less than the amount due to you under the Structured Products (if any). Moreover, the relevant resolution authorities may exercise the Bail-In Power without providing any advance notice to, or requiring your further consent. Please refer to the section headed "Text of the Guarantee of BNP Paribas" in this document for further details, in particular clause 6 of the Guarantee with respect to the Bail-In Power.

TAXATION

The following section is of a general nature and is not intended to provide guidance to you. This section relates to you if you are the absolute beneficial owner of the Structured Products and may not apply equally to you. If you are in any doubt as to your tax position on purchase, ownership, transfer, holding or exercise of any Structured Product, you are strongly advised to consult your own tax advisers.

General

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each Structured Product.

Taxation in Hong Kong

The following paragraph, which is intended as a general guide only, is based on current law and practice in Hong Kong. It summarises certain aspects of taxation in Hong Kong which may be applicable to the Structured Products but is not purported to be a comprehensive description of all tax considerations which may be of relevance.

Profits Tax

No tax is payable in Hong Kong by withholding or otherwise in respect of:

(a) dividends of any company;

(b) distributions of any trust authorised as a collective investment scheme by the SFC under section 104 of the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong) or otherwise approved by the SFC; or

(c) any capital gains arising on the sale of the underlying shares or Structured Products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

Stamp Duty

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

Taxation in the Netherlands

The following paragraph, which is intended as a general guide only, is based on current law and practice in the Netherlands. It summarises certain aspects of taxation in the Netherlands which may be applicable to the Structured Products but is not purported to be a comprehensive description of all tax considerations which may be of relevance.

Registration, Stamp, Transfer or Turnover Taxes

No Dutch registration, stamp, transfer or turnover taxes or other similar duties or taxes should be due in the Netherlands in direct connection with the offering and issue of the Structured Products by us or in respect of the signing and delivery of this document and/or the relevant launch announcement and supplemental listing document.

Withholding Tax

No Netherlands withholding tax should be due on payments of principal and/or interest.

Income Tax or Capital Gain Tax

You will not be subject to Netherlands taxes on income or capital gains in direct connection with the acquisition or holding of debt or any payment under the Structured Products or in respect of any gain realised on the disposal or redemption of the Structured Products, provided that:

(a) you are neither a resident nor deemed to be a resident nor has opted to be treated as a resident in the Netherlands; and

(b) you do not have an enterprise or an interest in an enterprise which, in whole or in part, is carried on through a permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or permanent representative the Structured Products are attributable; and

(c) if you are a legal person, an open limited partnership ("*open commanditaire vennootschap*"), another company with a capital divided into shares or a special purpose fund ("*doelvermogen*"):

   (i) you do not have a substantial interest* in our share capital, or in the event that you do have such an interest, such interest forms part of the assets of an enterprise; and

   (ii) you do not have a deemed Netherlands enterprise to which enterprise the Structured Products are attributable, including but not limited to, activities such as serving as a management or supervisory board member of a Dutch resident company;

or

(d) if you are a natural person:

(i) you do not derive income and/or capital gains from activities in the Netherlands other than business income (as described under (b) above), to which activities the Structured Products are attributable; and

(ii) you or a person related to you by law, contract, consanguinity or affinity to the degree specified in the tax laws of the Netherlands do not have, or are not deemed to have, a substantial interest* in our share capital.

Inheritance Tax

No gift, estate or inheritance tax will arise in the Netherlands on the transfer by way of gift or inheritance of the Structured Products if the donor or the deceased at the time of the gift or the death is neither a resident nor a deemed resident of the Netherlands, unless:

(a) at the time of the gift or death, the Structured Products are attributable to an enterprise or part of an enterprise that is carried out through a permanent establishment or a permanent representative in the Netherlands; or

(b) the donor of the Structured Products dies within 180 days of making the gift, and is a Dutch resident or deemed resident on the date of death.

Furthermore, in relation to the implications in respect of registration, stamp, transfer or turnover taxes, withholding tax, income tax or capital gain tax and inheritance tax in the Netherlands summarised above, it is assumed that:

(a) neither the remuneration, nor the indebtedness of the remuneration, on the Structured Products is, in whole or in part, legally or actually, contingent upon the profits or the distribution of profits by us or any of our affiliated companies; and

(b) the Structured Products will be treated as our debt obligations and cannot, partly or wholly, be reclassified as equity nor actually function as equity for Dutch tax purposes as referred to in Section 10(1)(d) of the Dutch Corporate Income Tax Act (Wet op de vennootschapsbelasting 1969).

Exchange of Information

If we pay interest directly to, or secure our payment for the immediate benefit of, a holder of Structured Products that is (i) an individual, (ii) a resident of another EU Member State or designated jurisdiction and (iii) the beneficial owner of that interest, we must verify the holder of the Structured Products' identity and place of residence and provide information regarding that holders and the interest payments concerned to the Dutch tax authorities. This obligation does not apply if the interest is paid to, or secured for the benefit of, a holder of the Structured Products via a bank or other paying agent as defined in Dutch tax law. In that case similar or other obligations may apply with respect to the bank or the other paying agent.

* An interest in our share capital should not be considered as a substantial interest if you, and if you are a natural person, your spouse, registered partner, certain other relatives or certain persons sharing your household, do not own or hold, alone or together, whether directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing five per cent. or more of our total issued and outstanding capital or our issued and outstanding capital of any class of shares.

Taxation in the United States of America

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI.

The new withholding regime started being phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) any Structured Products characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "**grandfathering date**", which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S.

Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Structured Products characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Structured Products are issued before the grandfathering date, and additional Structured Products of the same series are issued on or after that date, the additional Structured Products may not be treated as grandfathered, which may have negative consequences for the existing Structured Products, including a negative impact on market price.

The United States and a number of other jurisdictions have negotiated intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the Netherlands have entered into an agreement (the "**US-Netherlands IGA**") based largely on the Model 1 IGA.

The Issuer expects to be treated as a Reporting FI pursuant to the US-Netherlands IGA and does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. If the Issuer becomes a Participating FFI, the Issuer and financial institutions through which payments on the Structured Products are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Structured Products is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Structured Products are held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Structured Products by the Issuer, the Guarantor or any paying agent, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Structured Products.

FATCA is particularly complex. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Structured Products.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

General

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to the Structured Products in any jurisdiction (other than in Hong Kong) where action for that purpose is required.

No offers, sales or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on us or the Guarantor. In the event that we contemplate a placing, placing fees may be payable in connection with any issue and we may, at our discretion, allow discounts to placees.

United States of America

Each series of Structured Products has not been, and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and trading in the Structured Products has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended. We have not been registered as an investment company pursuant to the United States Investment Company Act of 1940, as amended.

The Structured Products may not at any time be offered, sold, delivered, traded or exercised, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. person and a U.S. person may not, at any time, directly or indirectly, maintain a position in the Structured Products. Offers, sales, trading or delivery of the Structured Products in the United States or to, or for the account or benefit of, U.S. persons may constitute a violation of United States laws governing securities and commodities trading.

We will not offer, sell or deliver any Structured Products within the United States or to, or for the account or benefit of, U.S. persons, and all dealers participating in the distribution of the Structured Products will not be permitted by us to offer, sell, deliver or trade, at any time, directly or indirectly, any Structured Products in the United States or to, or for the account or benefit of, any U.S. person.

Each purchaser of Structured Products will be deemed by its acceptance of the Structured Products to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is purchasing the Structured Products, that it has not and will not purchase, offer, sell, deliver or trade, at any time, directly or indirectly, any Structured Products in the United States or to, or for the account or benefit of, any U.S. person.

Each purchaser acknowledges that we and the dealers will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations or warranties deemed to have been made by such purchaser by its purchase of Structured Products are no longer accurate, it shall promptly notify us and the relevant dealer. If acquiring Structured Products as a fiduciary or agent for one or more investor accounts, each purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

Terms used herein, including, "**United States**" and "**U.S. person**", have the meanings given to them by Regulation S under the Securities Act.

European Economic Area

From 1 January 2018, each dealer represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Structured Products which are the subject of the offering as contemplated by this base listing document to any retail investor in the European Economic Area. For the purposes of this provision:

a) the expression "**retail investor**" means a person who is one (or more) of the following:

   i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

   ii. a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

   iii. not a qualified investor as defined in the Prospectus Directive; and

b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Structured Products to be offered so as to enable an investor to decide to purchase or subscribe the Structured Products.

Prior to 1 January 2018, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Structured Products which are the subject of the offering contemplated by this document as completed by the relevant launch announcement and supplemental listing document in relation thereto to the public in that Relevant Member State has been other than:

(a) if the final terms in relation to the Structured Products specify that an offer of those Structured Products may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Structured Products which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the relevant Issuer and the Guarantor, as the case may be, have consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Structured Products referred to in (b) to (d) above shall require the Issuer or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Structured Products to the public**" in relation to any Structured Products in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Structured Products to be offered so as to enable an investor to decide to purchase or subscribe the Structured Products, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each dealer has represented and agreed that:

(a) in respect to Structured Products having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Structured Products other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Structured Products would otherwise constitute a contravention of Section 19 of Financial Services and Markets Act, as amended (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Structured Products in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Structured Products in, from or otherwise involving the United Kingdom.

TEXT OF THE GUARANTEE OF BNP PARIBAS

Our obligations under the Structured Products are guaranteed by the Guarantor under the Guarantee executed by the Guarantor by way of deed poll and dated as of 30 March 2017. The text of the Guarantee is set out below.

"THIS GUARANTEE is made by way of deed poll by BNP Paribas (the "**Guarantor**") in favour of the holders for the time being of the Structured Products (as defined below) (each a "**Holder**") and dated as of 30 March 2017. WHEREAS:–

(A) The Guarantor has agreed to guarantee all obligations of BNP Paribas Arbitrage Issuance B.V. (the "**Issuer**") under any structured products (including, without limitation, Warrants, callable bull/bear contracts ("**CBBC**") or other types of structured products) (together, the "**Structured Products**") pursuant to a base listing document dated 30 March 2017 ("**Base Listing Document**", which expression shall include any amendment and/or supplement thereto and any replacement or further issue of any base listing document issued by the Issuer from time to time in respect of Structured Products (and whether or not issued pursuant to any condition imposed by the Securities and Futures Commission pursuant to the Securities and Futures Ordinance or by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Rules Governing the Listing of Securities on the Stock Exchange)) and listed on the Stock Exchange.

(B) Terms defined in the Conditions of the Structured Products shall have the same meanings in this Deed of Guarantee except where the context requires otherwise. References to "Conditions" are to the terms and conditions set out in the Base Listing Document.

NOW THIS DEED WITNESSES as follows:

1 **Guarantee**: The Guarantor unconditionally and irrevocably guarantees by way of deed poll to each Holder that, if for any reason the Issuer does not pay any sum payable by it or perform any other obligation in respect of any Structured Product on the date specified for such payment or performance the Guarantor will, in accordance with the Conditions pay that sum in the currency in which such payment is due in immediately available funds or, as the case may be, perform or procure the performance of the relevant obligation on the due date for such performance. In case of the failure of the Issuer to satisfy such obligations as and when the same become due, the Guarantor hereby undertakes to make or cause to be made such payment or satisfy or cause to be satisfied such obligations as though the Guarantor were the principal obligor in respect of such obligation.

Any such payment in accordance with this Clause 1 shall constitute a complete discharge of the Guarantor's obligations in respect of such Structured Products.

2 **Guarantor as Principal Obligor**: As between the Guarantor and the holder of each Structured Product but without affecting the Issuer's obligations, the Guarantor will be liable under this Guarantee as if it were the sole principal obligor and not merely a surety. Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability if it were the sole principal obligor (including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (2) any amendment to any of the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer or any other person for payment or performance of any other obligation in respect of any Structured Product, (4) the enforcement or absence of enforcement of any Structured Product or of any security or other guarantee or indemnity, (5) the release of any such security, guarantee or indemnity, (6) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person, or (7) the illegality, invalidity or unenforceability of or any defect in any provision of the Conditions or any of the Issuer's obligations under any of them).

3 **Guarantor's Obligations Continuing**: The Guarantor's obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable and no other obligation remains to be performed under any Structured Product (in each case subject to its exercise). Furthermore, those obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise. The Guarantor irrevocably waives all notices and demands of any kind.

4 **Discharge by the Issuer**: If any payment received by, or other obligation discharged to or to the order of, the holder of any Structured Product is, on the subsequent bankruptcy or insolvency of the Issuer, avoided under any laws relating to bankruptcy or insolvency, such payment or obligation will not be considered as having discharged or diminished the liability of the Guarantor and this Guarantee will continue to apply as if such payment or obligation had at all times remained owing due by the Issuer.

5 **Indemnity**: As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees (1) that any sum or obligation which, although expressed to be payable under the Structured Products, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor or the holder of any Structured Product) not recoverable from the Guarantor on the basis of a guarantee will nevertheless be recoverable from it as if it were the sole principal obligor and will be paid or performed by it in favour of the holder of any Structured Product and (2) as a primary obligation to indemnify each Holder against any loss suffered by it as a result of any sum or obligation expressed to be payable under the Structured Products not being paid or performed by the time, on the date and otherwise in the manner specified in the Structured Products or any obligation of the Issuer under the Structured Products being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not known or becoming known to the Issuer, the Guarantor or any Holder), in the case of a payment obligation the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum, PROVIDED THAT the proviso to Clause 2 of this Guarantee shall apply mutatis mutandis to this Clause 5.

6 **Resolution proceeding against the Guarantor**: Each Holder acknowledges, accepts, consents and agrees by its acquisition of the Structured Products:

(a) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority if the latter were to consider that the amounts due under this Guarantee fall within the scope of the Bail-In Power. This Bail-In Power may include and result in any of the following, or some combination thereof:

(i) the reduction of all, or a portion, of the amounts due under this Guarantee;

(ii) the conversion of all, or a portion, of the amounts due under this Guarantee into shares, other securities or other obligations of the Guarantor or another person, including by means of an amendment, modification or variation of the terms of this Guarantee, in which case the Holder agrees to accept in lieu of its rights under this Guarantee any such shares, other securities or other obligations of the Guarantor or another person;

(iii) the cancellation of this Guarantee;

(iv) the amendment or alteration of the maturity of this Guarantee or amendment of the amount of interest payable on this Guarantee, or the date on which the interest becomes payable, including by suspending payment for a temporary period;

(b) if applicable, that the terms of this Guarantee are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority.

For these purposes, the "**Bail-In Power**" is any resolution power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in France, whether relating to (i) the transposition of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (**BRRD**) as amended from time to time and as implemented under French law inter alia by the banking law dated 26 July 2013 regarding the separation and the regulation of banking activities *(Loi de séparation et de régulation des activités bancaires)* and by the Ordinance no. 2015-1024 dated 20 August 2015 *(Ordonnance no 2015-1024 du 20 août 2015 portant diverses dispositions d'adaptation de la législation au droit de l'Union européenne en matière financière) (the Ordinance)* published in the Official Journal on 21 August 2015, (ii) the Regulation (EU) No 806/2014 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 and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 ("**SRM**"), or (iii) otherwise arising under French law, and the instruments, rules and standards created thereunder, pursuant to which, in particular, the obligations of the Guarantor can be reduced (in part or in whole), cancelled, modified or converted into shares, other securities, or other obligations of such regulated entity or any other person.

A reference to the "**relevant resolution authority**" is to the *Autorité de contrôle prudentiel et de resolution* (**ACPR**) and/or any other authority entitled to exercise or participate in the exercise of any Bail-In Power against the Guarantor from time to time (including the Council of the European Union and the European Commission when acting pursuant to Article 18 of the SRM).

The matters set forth in this Clause 6 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Guarantor and any holder of a Structured Product.

7 **Incorporation of Terms:** The Guarantor agrees that it shall comply with and be bound by those provisions contained in the Conditions which relate to it.

8 **Deposit of Guarantee:** This Guarantee shall be deposited with and held by the Sponsor for the benefit of the Holders. If BNP Paribas Securities (Asia) Limited ceases to be the Sponsor its successor shall hold this Guarantee.

9 **Representations:** The Guarantor represents and warrants to each Holder that it has the full power and authority, and has taken all necessary steps, to execute and deliver this Guarantee and to perform its obligations hereunder and this Guarantee constitutes the valid and binding obligations of the Guarantor and is enforceable in accordance with its terms.

10 **Governing law:** This Guarantee shall be governed by and construed in accordance with the laws of Hong Kong.

11 **Jurisdiction:** The courts of Hong Kong are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee and accordingly any legal action or proceedings arising out of or in connection with this Guarantee ("**Proceedings**") may be brought in such courts. The Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

12 **Service of Process:** The Guarantor agrees that service of process in Hong Kong may be made on it at its Hong Kong branch. Nothing in this Guarantee shall affect the right to serve process in any other manner permitted by law.

IN WITNESS whereof this Guarantee has been executed by the Guarantor as a deed poll and delivered on the date specified below.

Dated as of 30 March 2017"

APPENDIX 1 — GENERAL CONDITIONS OF STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the applicable Product Conditions and the Launch Announcement and Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions and the applicable Product Conditions (as supplemented, amended, modified and/or replaced by the relevant Launch Announcement and Supplemental Listing Document) together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Structured Products may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these General Conditions and the applicable Product Conditions, replace or modify the General Conditions and/or the applicable Product Conditions for the purpose of such series of Structured Products.

1. Definitions

"**Base Listing Document**" means the base listing document relating to Structured Products dated 30 March 2017 and issued by the Issuer, including any addenda to such base listing document issued from time to time;

"**Board Lot**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**CCASS**" means the Central Clearing and Settlement System established and operated by HKSCC;

"**CCASS Rules**" means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

"**Conditions**" means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

"**Expiry Date**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**General Conditions**" means these general terms and conditions;

"**Global Certificate**" means, in respect of the relevant Structured Products, a global certificate registered in the name of the Nominee;

"**Guarantee**" means a deed poll guarantee dated as of 30 March 2017 made by the Guarantor;

"**Guarantor**" means BNP Paribas;

"**HKSCC**" means Hong Kong Securities and Clearing Company Limited;

"**Holder**" means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as the holder of the Structured Products, and who shall be treated by the Issuer, the Guarantor and the Sponsor as the absolute owner and holder of the relevant Structured Products. The expression "**Holders**" shall be construed accordingly;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Instrument**" means an instrument by way of deed poll dated 3 May 2006 executed by the Issuer which constitutes the Structured Products;

"**Issuer**" means BNP Paribas Arbitrage Issuance B.V.;

"**Launch Announcement and Supplemental Listing Document**" means the launch announcement and supplemental listing document relating to a particular series of Structured Products;

"**Nominee**" means HKSCC Nominees Limited (or such other nominee company as may be used by the HKSCC from time to time) in relation to the provision of nominee services to persons admitted for the time being by the HKSCC as a participant of CCASS;

"**Product Conditions**" means the product conditions relating to a particular series of Structured Products;

"**Register**" means, in respect of each series of Structured Products, the register of holders of such series of Structured Products kept by the Issuer outside of Hong Kong pursuant to General Condition 3.3;

"**Sponsor**" means BNP Paribas Securities (Asia) Limited;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited; and

"**Structured Products**" means derivative warrants ("**Warrants**"), callable bull/bear contracts ("**CBBCs**") or such other structured products to be issued by the Issuer from time to time. References to "**Structured Product**" are to be construed as references to a particular series of Structured Products.

Other capitalised terms will, unless otherwise defined, have the meanings given to them in the Base Listing Document, the applicable Product Conditions, the relevant Launch Announcement and Supplemental Listing Document and/or the Global Certificate.

2. Form, Status, Transfer and Trading

2.1 ***Form***

The Structured Products (which expression shall, unless the context otherwise requires, include any further structured products issued pursuant to General Condition 9) are issued in registered form subject to and with the benefit of the Instrument and the Guarantee. Copies of the Instrument and the Guarantee are available for inspection at the specified offices of the Sponsor. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Instrument.

2.2 ***Status of the Issuer's obligations***

The settlement obligations of the Issuer in respect of the Structured Products represent general unsecured contractual obligations of the Issuer and of no other person and rank, and will rank, pari passu among themselves and with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law. The obligations of the Guarantor under the Guarantee represent general unsecured contractual obligations of the Guarantor and of no other person and rank, and will rank, pari passu with all other present and future unsecured and unsubordinated contractual obligations of the Guarantor, except for obligations accorded preference by mandatory provisions of applicable law.

2.3 ***Transfer and Trading of Structured Products***

Transfers of Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

Trading in Structured Products on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

3. Sponsor and Register

3.1 The Sponsor will not assume any obligation or duty to or any relationship or agency or trust for the Holder.

3.2 The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Sponsor and to appoint another sponsor provided that it will at all times maintain a sponsor in Hong Kong for so long as the Structured Products are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holders in accordance with General Condition 7.

3.3 The Register will be maintained outside Hong Kong by the Issuer and the Issuer will enter or cause to be entered the name, address and banking details of the Holders, the details of the Structured Products held by each Holder, including the number of Structured Products of each series held and any other particulars which it thinks proper.

4. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held, resold or surrendered for cancellation.

5. Global Certificate

The Structured Products will be represented by a Global Certificate. No definitive certificate will be issued. The Structured Products can only be exercised by the Nominee. The Global Certificate representing the relevant Structured Products will be deposited with CCASS in the name of the Nominee. The Global Certificate must be executed manually on behalf of the Issuer by its authorised person(s) or attorney(s).

6. Meetings of Holders and Modification

6.1 *Meetings of Holders*

The Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Structured Products or of the Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

6.2 *Modification*

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Instrument which, in the opinion of the Issuer, is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction);

(b) of a formal, minor or technical nature;

(c) made to correct a manifest error; or

(d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by the Issuer or the Sponsor (as the case may be) as soon as practicable thereafter in accordance with General Condition 7.

7. Notices

All notices to the Holders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If such publication is not practicable, notice will be given in such other manner as the Issuer may determine appropriate.

8. Adjustment to the Conditions

8.1 ***Other Adjustments***

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Structured Products as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

8.2 ***Notice of Adjustments***

All determinations made by the Issuer in respect of any adjustment to the Conditions will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

9. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further structured products so as to form a single series with the Structured Products.

10. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Structured Products.

11. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

12. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Structured Products.

13. Governing Law

The Structured Products, the Global Certificate, the Guarantee and the Instrument will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Holder (by its purchase of the Structured Products) shall be deemed to have submitted for all purposes in connection with the Structured Products, the Global Certificates, the Guarantee and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

In the event of any inconsistency between (a) the Chinese translation of these General Conditions and/or the applicable Product Conditions and (b) the English version of these General Conditions and/or the applicable Product Conditions, the English version of these General Conditions and/or the applicable Product Conditions shall prevail.

15. Prescription

Claims against the Issuer for payment of any amount in respect of a series of Structured Product will become void unless made within ten years of the MCE Valuation Date or the Expiry Date (as the case may be) applicable to that series and thereafter, any sums payable in respect of such Structured Product shall be forfeited and shall revert to the Issuer.

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

APPENDIX 2 — PRODUCT CONDITIONS OF WARRANTS

The following pages set out the Product Conditions in respect of different types of Warrants.

PART A — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES

The relevant Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the applicable Product Conditions, replace or modify the applicable Product Conditions for the purpose of such series of Warrants. Capitalised terms used in the applicable Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means the arithmetic mean of the closing price of one Share, as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as follows:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Average Price – Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Exercise Price – Average Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**CCASS Settlement Day**" has the meaning ascribed to the term "Settlement Day" in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

"**Company**" means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**Exercise Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

"**Number of Warrant(s) per Entitlement**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Share**" means the share of the Company specified as such in the relevant Launch Announcement and Supplemental Listing Document and "**Shares**" shall be construed accordingly; and

"**Valuation Date**" means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

(a) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 *Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 *Exercise Expenses*

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses)(if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

(i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or

(ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments

4.1 *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day ("**Rights Issue Adjustment Date**") on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R : Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M : Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be increased on the Business Day ("**Bonus Issue Adjustment Date**") on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E : Existing Entitlement immediately prior to the Bonus Issue

N : Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Share Splits or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), then:

(i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 ***Merger or Consolidation***

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

4.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) ("**Ordinary Dividend**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor x E}$$

Where

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E : Existing Entitlement immediately prior to the Cash Distribution

S : The closing price of the Share on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD : The Cash Distribution per Share

OD : The Ordinary Dividend per Share, provided that the date on which the Shares are traded on an ex-Ordinary Dividend basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 ***Adjustments following delisting***

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 ***Listing on another exchange***

Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

  (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

  (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

  (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

PART B — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE UNIT TRUST

The relevant Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the applicable Product Conditions, replace or modify the applicable Product Conditions for the purpose of such series of Warrants. Capitalised terms used in the applicable Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Average Price**" means the arithmetic mean of the closing price of one Unit, as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as follows:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Average Price – Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Exercise Price – Average Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**CCASS Settlement Day**" has the meaning ascribed to the term "Settlement Day" in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**Exercise Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

"**Number of Warrant(s) per Entitlement**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of (i) the Expiry Date and (ii) the day on which the Average Price is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Trust**" means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document and "**Units**" shall be construed accordingly; and

"**Valuation Date**" means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

(a) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(b) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 *Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 *Exercise Expenses*

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses)(if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

(i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or

(ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments

4.1 *Rights Issues*

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day ("**Rights Issue Adjustment Date**") on which trading in the Units becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Unit price determined by the closing price on the Stock Exchange on the last Business Day on which Units are traded on a cum-Rights basis

R : Subscription price per Unit as specified in the Rights Offer plus an amount equal to any distribution or other benefits foregone to exercise the Rights

M : Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 *Bonus Issues*

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be increased on the Business Day ("**Bonus Issue Adjustment Date**") on which trading in the Units becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E : Existing Entitlement immediately prior to the Bonus Issue

N : Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Subdivisions or Consolidations***

If and whenever the Trust shall subdivide its Units or any class of its outstanding Unit into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding unit capital comprised of the Units into a smaller number of units (a "**Consolidation**"), then:

(i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 ***Merger or Consolidation***

If it is announced that the Trust is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

4.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) ("**Ordinary Distribution**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit's closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E : Existing Entitlement immediately prior to the Cash Distribution

S : The closing price of the Unit on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD : The Cash Distribution per Unit

OD : The Ordinary Distribution per Unit, provided that the date on which the Units are traded on an ex-Ordinary Distribution basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Units are traded on an ex-Ordinary Distribution basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

5. Termination or Liquidation

In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Product Condition 5, "**Termination**" means (i) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (ii) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (iii) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (iv) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

6. Delisting

6.1 ***Adjustments following delisting***

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 ***Listing on another exchange***

Without prejudice to the generality of Product Condition 6.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

(i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

(ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

(each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

PART C — PRODUCT CONDITIONS OF CASH SETTLED INDEX WARRANTS

The relevant Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the applicable Product Conditions, replace or modify the applicable Product Conditions for the purpose of such series of Warrants. Capitalised terms used in the applicable Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, for every Board Lot, an amount calculated by the Issuer as follows (and, if appropriate, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) in the case of a series of call Warrants:

$$\frac{(\text{Closing Level} - \text{Strike Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

(b) in the case of a series of put Warrants:

$$\frac{(\text{Strike Level} - \text{Closing Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

"**CCASS Settlement Day**" has the meaning ascribed to the term "Settlement Day" in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

"**Closing Level**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Divisor**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**First Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Index**" means the index specified in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Compiler**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Currency Amount**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Exchange**" means the Stock Exchange or any other exchange as specified in the relevant Launch Announcement and Supplemental Listing Document;

"**Interim Currency**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:

  (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or

  (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or

  (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

  For the purposes of this paragraph (a), (X) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (Y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event;

(b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued;

(c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Product Conditions**" means these product terms and conditions;

"**Second Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Strike Level**" means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

"**Valuation Date**" means the date specified in the Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event, provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 ***Exercise Expenses***

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses)(if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

(i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or

(ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments to the Index

4.1 ***Successor Index Compiler Calculates and Reports Index***

If the Index is:

(a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "**Successor Index Compiler**") acceptable to the Issuer; or

(b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

4.2 ***Modification and Cessation of Calculation of Index***

If:

(a) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events); or

(b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

5. Illegality and Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

   (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

   (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

   (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

PART D — PRODUCT CONDITIONS OF CASH SETTLED COMMODITY WARRANTS

The relevant Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the applicable Product Conditions, replace or modify the applicable Product Conditions for the purpose of such series of Warrants. Capitalised terms used in the applicable Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, for every Board Lot, an amount calculated by the Issuer as follows (and, if appropriate, converted into the Settlement Currency at the Exchange Rate):

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Closing Price – Strike Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Strike Price – Closing Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**CCASS Settlement Day**" has the meaning ascribed to the term "Settlement Day" in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

"**Closing Price**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Commodity**" means the commodity specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Commodity Business Day**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence, on a Valuation Day of any suspension of or material limitation imposed on, trading in the Commodity or any warrants, options contracts or futures contracts relating to the Commodity on any Related Exchange;

(b) a limitation or closure of any Related Exchange or the Stock Exchange due to any unforeseen circumstances;

(c) the disappearance of, or disappearance of trading in, the Commodity;

(d) a Price Source Disruption Event; or

(e) any circumstances beyond the control of the Issuer in which the Closing Price or the Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Price Source**" means the publication (or such other origin of price source reference) (if any) specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Price Source Disruption Event**" means:

(a) the failure of the Price Source to announce or publish any relevant level, value or price in relation to the Commodity (or the information necessary for determining the Closing Price); or

(b) the temporary or permanent discontinuance or unavailability of the Price Source;

"**Product Conditions**" means these product terms and conditions;

"**Relevant Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Related Exchange**" means any exchange or quotation system in a major international market (including but not limited to New York, Chicago, London, Australia and Frankfurt) on which options contracts or futures contracts or other derivatives contracts relating to the Commodity is traded, as determined by the Issuer;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the Valuation Date;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Strike Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

"**Valuation Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer will determine the Closing Price on the basis of its good faith estimate of the Closing Price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 *Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 *Exercise Expenses*

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses)(if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

(i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or

(ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account. If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments

4.1 *Market Disruption Events*

Without limiting Product Condition 3(d), if a Market Disruption Event occurs, the Issuer has the right to adjust the Price Source, the Closing Price, the Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under such circumstances notify the Holders in accordance with General Condition 7 if it determines that a Market Disruption Event has occurred.

4.2 *Foreign Currency Controls*

If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

(a) requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

(b) otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

(c) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 7 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 3 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

5. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

  (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

  (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

  (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

PART E — PRODUCT CONDITIONS OF CASH SETTLED COMMODITY FUTURES WARRANTS

The relevant Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the applicable Product Conditions, replace or modify the applicable Product Conditions for the purpose of such series of Warrants. Capitalised terms used in the applicable Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Cash Settlement Amount**" means, for every Board Lot, an amount calculated by the Issuer as follows (and, if appropriate, converted into the Settlement Currency at the Exchange Rate):

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement x (Closing Price – Strike Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement x (Strike Price – Closing Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

"**CCASS Settlement Day**" has the meaning ascribed to the term "Settlement Day" in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

"**Closing Price**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Commodity**" means the commodity specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Commodity Futures**" means the commodity futures specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Commodity Futures Trading Day**" means a day on which the Relevant Exchange is scheduled to open for trading;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence or existence, on the Valuation Date of:

(i) any suspension of or limitation imposed on trading:

(A) on the Relevant Exchange in the Commodity Futures or securities generally; or

(B) on any Related Exchange in any options contracts or futures contracts relating to the Commodity or the Commodity Futures, if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or

(ii) of any event that disrupts or impairs (as determined by the Issuer) the ability of market participants in general to effect transactions in, or obtain market values for, the Commodity Futures, options contracts or futures contracts on or relating to the Commodity or Commodity Futures on any Related Exchange; or

(b) the failure of the Relevant Exchange to announce or publish any relevant level, value or price in relation to the Commodity Futures (or the information necessary for determining the Closing Price); or

(c) a limitation or closure of the Relevant Exchange, any Related Exchange or the Stock Exchange due to any other unforeseen circumstances; or

(d) the permanent discontinuation of trading in the Commodity Futures on the Relevant Exchange or the disappearance of, or disappearance of trading in, the Commodity Futures or the Commodity; or

(e) any circumstances beyond the control of the Issuer in which the Closing Price or the Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances; or

(f) the occurrence of a material change in the content, composition or constitution of the Commodity Futures or the Commodity; or

(g) the occurrence of a material change in the formula for or the method of calculating the relevant level, value or price in relation to the Commodity Futures.

"**Product Conditions**" means these product terms and conditions;

"**Relevant Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Related Exchange**" means any exchange or quotation system in a major international market on which options contracts or futures contracts or other derivatives contracts relating to the Commodity Futures is traded, as determined by the Issuer;

"**Relevant Exchange**" means the exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the Valuation Date;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Strike Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

"**Valuation Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer will determine the Closing Price on the basis of its good faith estimate of the Closing Price that would have prevailed on that day but for the occurrence of the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 ***Warrant Rights***

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 ***Exercise Expenses***

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses)(if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

(i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or

(ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account. If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments

4.1 ***Market Disruption Events***

Without limiting Product Condition 3(d), if a Market Disruption Event occurs, the Issuer has the right to adjust the Closing Price, the Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under such circumstances notify the Holders in accordance with General Condition 7 if it determines that a Market Disruption Event has occurred.

4.2 ***Foreign Currency Controls***

If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

(a) requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

(b) otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

(c) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 7 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 3 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

5. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

  (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

  (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law), (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

PART F — PRODUCT CONDITIONS OF CASH SETTLED CURRENCY WARRANTS

The relevant Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the applicable Product Conditions, replace or modify the applicable Product Conditions for the purpose of such series of Warrants. Capitalised terms used in the applicable Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business and for carrying on foreign exchange transactions in Hong Kong;

"**Cash Settlement Amount**" means, for every Board Lot, an amount calculated by the Issuer as follows (and if applicable, converted into the Settlement Currency at the Settlement Exchange Rate):

(a) in the case of a series of call Warrants:

(Spot Rate − Strike Rate) x Currency Amount

(b) in the case of a series of put Warrants:

(Strike Rate − Spot Rate) x Currency Amount

"**CCASS Settlement Day**" has the meaning ascribed to the term "Settlement Day" in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

"**Currency Amount**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Currency Pair**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Listing Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Market Disruption Event**" means:

(a) the occurrence, or existence, on the Valuation Date, of any circumstances beyond the control of the Issuer in which the Spot Rate or, if applicable, the Settlement Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances; and/or

(b) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

"**Product Conditions**" means these product terms and conditions;

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after the Valuation Date;

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

"**Spot Rate**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Settlement Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Strike Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

"**Valuation Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer will determine the Spot Rate or, if applicable, the Settlement Exchange Rate or any other variables on the basis of its good faith estimate of the Spot Rate or, if applicable, the Settlement Exchange Rate or any other variables that would have prevailed on that day but for the occurrence of the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 *Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 *Exercise Expenses*

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) *Exercise of Warrants in Board Lots*

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) *Automatic Exercise*

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses)(if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) *Cancellation*

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

(i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or

(ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments

4.1 ***Market Disruption Events***

Without limiting Product Condition 3(d), if a Market Disruption Event occurs, the Issuer has the right to adjust the Spot Rate or, if applicable, the Settlement Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under such circumstances notify the Holders in accordance with General Condition 7 if it determines that a Market Disruption Event has occurred.

4.2 ***Foreign Currency Controls***

If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

(a) requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;

(b) otherwise restricts the Issuer's ability to obtain the Settlement Currency; or

(c) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Settlement Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 7 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 3 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

5. Illegality and Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

  (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

  (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

  (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

APPENDIX 3 — PRODUCT CONDITIONS OF CBBCS

The following pages set out the Product Conditions in respect of different types of CBBCs.

PART A — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Cash Settlement Amount**" means:

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) In the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Price – Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(ii) In the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Strike Price – Closing Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Price is equal to the Strike Price;

"**Category R CBBCs**" means a series of CBBCs where the Call Price is different from the Strike Price;

"**CCASS Settlement Day**" has the meaning ascribed to the term "Settlement Day" in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

"**Closing Price**" means the closing price of one Share, as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like on the Valuation Date;

"**Company**" means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Day of Notification"** means the Trading Day immediately following the day on which a Mandatory Call Event occurs;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the early expiration of CBBCs upon the occurrence of a Mandatory Call Event or exercise of CBBCs upon expiry;

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Last Trading Day**" means the trading day on the Stock Exchange immediately preceding the Expiry Date;

"**Mandatory Call Event**" means that the Spot Price of the Shares on any Trading Day during the Observation Period is:

(a) in the case of a series of bull CBBCs, at or below the Call Price; or

(b) in the case of a series of bear CBBCs, at or above the Call Price;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

"**Maximum Trade Price**" means the highest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

"**MCE Valuation Date**" means the last Trading Day during the MCE Valuation Period;

"**MCE Valuation Period**" means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the "**1st Session**") and up to the end of the trading session on the Stock Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed. In that case:

(a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if any) of the same day; and

(B) the afternoon session and the closing auction session (if any) of the same day,

shall each be considered as one trading session only;

"**Minimum Trade Price**" means the lowest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

"**Number of CBBC(s) per Entitlement**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Observation Commencement Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading on the Stock Exchange on the Last Trading Day. For the avoidance of doubt, the Observation Period shall not be extended notwithstanding the Valuation Date shall not fall on the Last Trading Day;

"**Post MCE Trades**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Product Conditions**" means these product terms and conditions;

"**Residual Value**" means:

(a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Minimum Trade Price – Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Strike Price – Maximum Trade Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount (if any) electronically through CCASS to the Designated Bank Account;

"**Share**" means the share of the Company specified as such in the relevant Launch Announcement and Supplemental Listing Document and "**Shares**" shall be construed accordingly;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange, as the case may be, the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Strike Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Trading Day**" means any day on which the Stock Exchange is scheduled to be open for trading for its regular trading sessions;

"**Trading Rules**" means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless, in the determination of the Issuer, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price of the Shares having regard to the then prevailing market conditions, the last reported trading price of the Shares on the Stock Exchange and such other factors as the Issuer determines to be relevant.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Illegality or Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the CBBCs, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

    (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

    (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

    (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

3. Exercise of CBBCs

3.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

3.2 *Automatic Exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date.

3.3 *Mandatory Call Event*

(a) Subject to Product Condition 3.3(b), following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer will give a notice of the Mandatory Call Event and early expiry of the CBBCs (the "**Announcement on MCE and Early Expiration**") to the Holders in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon a Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

    In the case of Category R CBBCs, the Issuer will give a notice of the valuation of the Residual Value (the "**Announcement on Valuation of Residual Value**") to the Holders before the end of the trading session immediately after the MCE Valuation Period in accordance with General Condition 7.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

    (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited; or

    (ii) manifest errors caused by the relevant third party price source where applicable;

    and

(A) in the case of a system malfunction or other technical errors prescribed in paragraph (i) above, such event is reported by the Stock Exchange to the Issuer, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and

(B) in the case of an error by the relevant price source prescribed in paragraph (ii) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification or such other time frame as prescribed by the Stock Exchange from time to time, in which case, (A) the Mandatory Call Event so triggered will be reversed; and (B) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

3.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

3.5 ***Cancellation***

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Date or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

3.6 ***Exercise Expenses***

(a) Any Exercise Expenses which were not determined by the Issuer:

(i) during the MCE Valuation Period following the Mandatory Call Event; or

(ii) otherwise, on the Expiry Date (as the case may be), and were not deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with Product Condition 3.7, shall be notified to the Holder as soon as practicable after determination thereof by the Issuer and shall be paid by the Holder to the Issuer immediately upon demand.

(b) Holders shall note that they shall be responsible for additional costs and expenses in connection with any early expiration or exercise of the CBBCs including the Exercise Expenses which amount shall, to the extent necessary, be payable to the Issuer and collected from the Holders.

3.7 ***Cash Settlement***

Upon early expiration of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount (net of any Exercise Expenses) (if any) to the relevant Holder. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) (if any) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

3.8 ***Responsibility of Issuer, Guarantor and Sponsor***

None of the Issuer, the Guarantor, the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Product Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

3.9 ***Liability of Issuer, Guarantor and Sponsor***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer, the Guarantor, nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer, the Guarantor, nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

3.10 ***Trading***

Subject to Product Condition 3.3(b), trading in CBBCs on the Stock Exchange shall cease:

(a) immediately upon the occurrence of a Mandatory Call Event; or

(b) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

4. Adjustments

4.1 ***Rights Issues***

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day ("**Rights Issue Adjustment Date**") on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor x E}$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \text{ x } M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be increased on the Business Day ("**Bonus Issue Adjustment Date**") on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Share Splits or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "**Subdivision**") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "**Consolidation**"), then:

(i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 ***Merger or Consolidation***

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

4.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) ("**Ordinary Dividend**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Share on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the date on which the Shares are traded on an ex-Ordinary Dividend basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

PART B — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER AN INDEX

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Level**" means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Cash Settlement Amount**" means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (X) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (Y) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Closing Level} - \text{Strike Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

(ii) in the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{(\text{Strike Level} - \text{Closing Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Level is equal to the Strike Level;

"**Category R CBBCs**" means a series of CBBCs where the Call Level is different from the Strike Level;

"**CCASS Settlement Day**" has the meaning ascribed to the term "Settlement Day" in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

"**Closing Level**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Day of Notification**" means the Trading Day immediately following the day on which a Mandatory Call Event occurs;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Divisor**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the early expiration of CBBCs upon the occurrence of a Mandatory Call Event or exercise of CBBCs upon expiry;

"**First Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Index**" means the index specified in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Business Day**" means any day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

"**Index Compiler**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Currency Amount**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Index Exchange**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Interim Currency**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Last Trading Day**" means the trading day on the Stock Exchange immediately preceding the Expiry Date;

"**Mandatory Call Event**" means that the Spot Level of the Index on any Index Business Day during the Observation Period is:

(a) in the case of a series of bull CBBCs, at or below the Call Level; or

(b) in the case of a series of bear CBBCs, at or above the Call Level;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:

   (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or

   (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or

   (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this paragraph (a), (X) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (Y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event;

(b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued;

(c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or

(d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"**Maximum Index Level**" means the highest Spot Level of the Index during the MCE Valuation Period;

"**MCE Valuation Date**" means the last Trading Day during the MCE Valuation Period;

"**MCE Valuation Period**" means:

(a) in respect of an Index Exchange located in Hong Kong, the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the "**1st Session**") and up to the end of the trading session on the Index Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Level(s) is/are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Level(s) is/are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available.

In that case:

(i) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(ii) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if any) of the same day; and

(B) the afternoon session and the closing auction session (if any) of the same day,

shall each be considered as one trading session only; and

(b) in respect of an Index Exchange located outside Hong Kong, the period specified in the relevant Launch Announcement and Supplemental Listing Document;

"**Minimum Index Level**" means the lowest Spot Level of the Index during the MCE Valuation Period;

"**Observation Commencement Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading on the Last Trading Day. For the avoidance of doubt, the Observation Period shall not be extended notwithstanding that the Valuation Date shall not fall on the Last Trading Day;

"**Post MCE Trades**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Price Source**", if applicable, has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Product Conditions**" means these product terms and conditions;

"**Residual Value**" means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either, converted (if applicable) into the Settlement Currency at the Exchange Rate, or converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

(b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \text{ x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount (if any) electronically through CCASS to the Designated Bank Account;

"**Second Exchange Rate**" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Spot Level**" means, unless otherwise specified in the relevant Launch Announcement and Supplemental Listing Document, the spot level of the Index as compiled and published by the Index Compiler;

"**Strike Level**" means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Successor Index**" means the successor index specified in the relevant Launch Announcement and Supplemental Listing Document;

"**Trading Day**" means any day on which the Stock Exchange is scheduled to be open for trading for its regular trading sessions;

"**Trading Rules**" means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

"**Valuation Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level of the Index on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but will not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Illegality or Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the CBBCs, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

    (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

    (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

    (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

3. Exercise of CBBCs

3.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

3.2 *Automatic Exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date.

3.3 ***Mandatory Call Event***

(a) Subject to Product Condition 3.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer will give a notice of the Mandatory Call Event and early expiry of the CBBCs (the "**Announcement on MCE and Early Expiration**") to the Holders in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon a Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

In the case of Category R CBBCs, the Issuer will give a notice of the valuation of the Residual Value (the "**Announcement on Valuation of Residual Value**") to the Holders before the end of the trading session of the Stock Exchange immediately after the corresponding trading session of the Stock Exchange during which the MCE Valuation Period ends in accordance with General Condition 7.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited; or

(ii) manifest errors caused by the relevant third party price source where applicable;

and

(A) in the case of a system malfunction or other technical errors prescribed in paragraph (i) above, such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and

(B) in the case of an error by the relevant price source prescribed in paragraph (ii) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case,

(A) in respect of an Index Exchange located in Hong Kong, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification or such other time frame as prescribed by the Stock Exchange from time to time; or

(B) in respect of an Index Exchange located outside Hong Kong:

(1) the revocation of the Mandatory Call Event is communicated to the other party by 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification or such other time frame as prescribed by the Stock Exchange from time to time; and

(2) the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked on the Day of Notification.

In both cases:

(C) the Mandatory Call Event so triggered will be reversed; and

(D) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

3.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

3.5 ***Cancellation***

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Date or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

3.6 ***Exercise Expenses***

(a) Any Exercise Expenses which were not determined by the Issuer:

   (i) during the MCE Valuation Period following the Mandatory Call Event; or

   (ii) otherwise, on the Expiry Date (as the case may be), and were not deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with Product Condition 3.7, shall be notified to the Holder as soon as practicable after determination thereof by the Issuer and shall be paid by the Holder to the Issuer immediately upon demand.

(b) Holders shall note that they shall be responsible for additional costs and expenses in connection with any early expiration or exercise of the CBBCs including the Exercise Expenses which amount shall, to the extent necessary, be payable to the Issuer and collected from the Holders.

3.7 ***Cash Settlement***

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount (net of any Exercise Expenses)(if any) to the relevant Holder. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses)(if any) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

3.8 ***Responsibility of Issuer, Guarantor and Sponsor***

None of the Issuer, the Guarantor, the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Product Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities or currencies comprising the Index.

3.9 ***Liability of Issuer, Guarantor and Sponsor***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer, the Guarantor nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer, the Guarantor nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

3.10 ***Trading***

Subject to Product Condition 3.3(b), trading in CBBCs on the Stock Exchange shall cease:

(a) immediately upon the occurrence of a Mandatory Call Event; or

(b) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

4. Adjustments to the Index

4.1 ***Successor Index Compiler Calculates and Reports Index***

If the Index is:

(a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "**Successor Index Compiler**") acceptable to the Issuer; or

(b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

4.2 ***Modification and Cessation of Calculation of Index***

If:

(a) on any Index Business Day before the Expiry Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events); or

(b) on any Index Business Day before the Expiry Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Index Business Day as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

PART C — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE UNIT TRUST

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

"**Business Day**" means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

"**Call Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Cash Settlement Amount**" means:

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Closing Price – Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(ii) In the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Strike Price – Closing Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

"**Category N CBBCs**" means a series of CBBCs where the Call Price is equal to the Strike Price;

"**Category R CBBCs**" means a series of CBBCs where the Call Price is different from the Strike Price;

"**CCASS Settlement Day**" has the meaning ascribed to the term "Settlement Day" in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

"**Closing Price**" means the closing price of one Unit, as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like on the Valuation Date;

"**Day of Notification**" means the Trading Day immediately following the day on which a Mandatory Call Event occurs;

"**Designated Bank Account**" means the relevant bank account designated by each Holder;

"**Entitlement**" means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Exercise Expenses**" means any charges or expenses including any taxes or duties which are incurred in respect of the early expiration of CBBCs upon the occurrence of a Mandatory Call Event or exercise of CBBCs upon expiry;

"**General Conditions**" means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

"**Last Trading Day**" means the trading day on the Stock Exchange immediately preceding the Expiry Date;

"**Mandatory Call Event**" means that the Spot Price of the Units on any Trading Day during the Observation Period is:

(a) in the case of a series of bull CBBCs, at or below the Call Price; or

(b) in the case of a series of bear CBBCs, at or above the Call Price;

"**Market Disruption Event**" means:

(a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;

(b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued; or

(c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

"**Maximum Trade Price**" means the highest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

"**MCE Valuation Date**" means the last Trading Day during the MCE Valuation Period;

"**MCE Valuation Period**" means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the "**1st Session**") and up to the end of the trading session on the Stock Exchange immediately following the 1st Session ("**2nd Session**") unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Units is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed.

In that case:

(a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and

(b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

(A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if any) of the same day; and

(B) the afternoon session and the closing auction session (if any) of the same day,

shall each be considered as one trading session only;

"**Minimum Trade Price**" means the lowest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

"**Number of CBBC(s) per Entitlement**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"**Observation Commencement Date**" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Observation Period**" means the period commencing from and including the Observation Commencement Date up to and including the close of trading on the Stock Exchange on the Last Trading Day. For the avoidance of doubt, the Observation Period shall not be extended notwithstanding the Valuation Date shall not fall on the Last Trading Day;

"**Post MCE Trades**" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Product Conditions**" means these product terms and conditions;

"**Residual Value**" means:

(a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Minimum Trade Price – Strike Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement x (Strike Price – Maximum Trade Price) x one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

"**Settlement Currency**" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Settlement Date**" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

"**Settlement Disruption Event**" means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount (if any) electronically through CCASS to the Designated Bank Account;

"**Spot Price**" means:

(a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and

(b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange, as the case may be, the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

"**Strike Price**" means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

"**Trading Day**" means any day on which the Stock Exchange is scheduled to be open for trading for its regular trading sessions;

"**Trading Rules**" means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

"**Trust**" means the trust specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"**Unit**" means the unit specified as such in the relevant Launch Announcement and Supplemental Listing Document and "**Units**" shall be construed accordingly; and

"**Valuation Date**" means the Trading Day immediately preceding the Expiry Date unless, in the determination of the Issuer, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

(a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and

(b) the Issuer shall determine the Closing Price of the Units having regard to the then prevailing market conditions, the last reported trading price of the Units on the Stock Exchange and such other factors as the Issuer determines to be relevant.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Illegality or Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

(a) for it to perform its obligations under the CBBCs, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

  (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or

  (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),

  (each of (i) and (ii), a "**Change in Law Event**"); or

(b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

3. Exercise of CBBCs

3.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

3.2 *Automatic Exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date.

3.3 *Mandatory Call Event*

(a) Subject to Product Condition 3.3(b), following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer will give a notice of the Mandatory Call Event and early expiry of the CBBCs (the "**Announcement on MCE and Early Expiration**") to the Holders in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon a Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

  In the case of Category R CBBCs, the Issuer will give a notice of the valuation of the Residual Value (the "**Announcement on Valuation of Residual Value**") to the Holders before the end of the trading session immediately after the MCE Valuation Period in accordance with General Condition 7.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

  (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited; or

  (ii) manifest errors caused by the relevant third party price source where applicable;

  and

(A) in the case of a system malfunction or other technical errors prescribed in paragraph (i) above, such event is reported by the Stock Exchange to the Issuer, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and

(B) in the case of an error by the relevant price source prescribed in paragraph (ii) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification or such other time frame as prescribed by the Stock Exchange from time to time, in which case, (A) the Mandatory Call Event so triggered will be reversed; and (B) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

3.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

3.5 ***Cancellation***

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Date or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

3.6 ***Exercise Expenses***

(a) Any Exercise Expenses which were not determined by the Issuer:

(i) during the MCE Valuation Period following the Mandatory Call Event; or

(ii) otherwise, on the Expiry Date (as the case may be), and were not deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with Product Condition 3.7, shall be notified to the Holder as soon as practicable after determination thereof by the Issuer and shall be paid by the Holder to the Issuer immediately upon demand.

(b) Holders shall note that they shall be responsible for additional costs and expenses in connection with any early expiration or exercise of the CBBCs including the Exercise Expenses which amount shall, to the extent necessary, be payable to the Issuer and collected from the Holders.

3.7 ***Cash Settlement***

Upon early expiration of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount (net of any Exercise Expenses) (if any) to the relevant Holder. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) (if any) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

3.8 ***Responsibility of Issuer, Guarantor and Sponsor***

None of the Issuer, the Guarantor, the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Product Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

3.9 ***Liability of Issuer, Guarantor and Sponsor***

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer, the Guarantor, nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer, the Guarantor, nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

3.10 ***Trading***

Subject to Product Condition 3.3(b), trading in CBBCs on the Stock Exchange shall cease:

(a) immediately upon the occurrence of a Mandatory Call Event; or

(b) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

4. Adjustments

4.1 ***Rights Issues***

If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement will be adjusted to take effect on the Business Day ("**Rights Issue Adjustment Date**") on which trading in the Units becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E : Existing Entitlement immediately prior to the Rights Offer

S : Cum-Rights Unit price determined by the closing price on the Stock Exchange on the last Business Day on which Units are traded on a cum-Rights basis

R : Subscription price per Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M : Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**") the Entitlement will be increased on the Business Day ("**Bonus Issue Adjustment Date**") on which trading in the Units becomes ex-entitlement in accordance with the following formula:

Adjusted Entitlement = Adjustment Factor x E

Where:

Adjustment Factor = 1 + N

E : Existing Entitlement immediately prior to the Bonus Issue

N : Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Subdivisions or Consolidations***

If and whenever the Trust shall subdivide its Units or any class of its outstanding Units into a greater number of units (a "**Subdivision**") or consolidate the Units or any class of its outstanding Units into a smaller number of units (a "**Consolidation**"), then:

(i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and

(ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 ***Merger or Consolidation***

If it is announced that the Trust is to or may merge or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Trust is the surviving entity in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of units of the trust(s) resulting from or surviving such Restructuring Event or other securities ("**Substituted Securities**") and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

4.5 ***Cash Distribution***

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) ("**Ordinary Distribution**"). For any other forms of cash distribution ("**Cash Distribution**") announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit's closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution ("**Cash Distribution Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor x E}$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E : Existing Entitlement immediately prior to the Cash Distribution

S : The closing price of the Unit on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD : The Cash Distribution per Unit

OD : The Ordinary Distribution per Unit, provided that the date on which the Units are traded on an ex-Ordinary Distribution basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Units are traded on an ex-Ordinary Distribution basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5. Termination or Liquidation

In the event of a Termination, liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Trust) or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Product Condition 5, "**Termination**" means (i) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (ii) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (iii) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (iv) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

6. Delisting

6.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 6.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

Sponsor

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central, Hong Kong

APPENDIX 4 — A BRIEF GUIDE TO CREDIT RATINGS

Information set out in this Appendix 4 is based on, extracted or reproduced from the website of S&P at https://www.spratings.com/en_US/home, the website of Moody's at https://www.moodys.com and the website of Fitch at https://www.fitchratings.com/site/home, as of 29 March 2017. Information appearing on those websites does not form part of this document, and we accept no responsibility for the accuracy or completeness of the information appearing on those websites, except that we have accurately extracted and reproduced such information in this Appendix 4 and take responsibility for such extraction and reproduction. We have not separately verified such information. There can be no assurance that such information will not be revised by the relevant rating agency in the future and we have no responsibility to notify you of such change. If you are unsure about any information provided in this Appendix 4 and/or what a credit rating means, you should seek independent professional advice.

What is a credit rating?

A credit rating is a forward looking opinion by a credit rating agency of a company's overall ability to meet its financial obligations. The focus is on the company's capacity to pay its debts as they become due. The rating does not necessarily apply to any specific obligation.

What do the credit ratings mean?

Below are guidelines issued by S&P, Moody's and Fitch on what each of their investment-grade ratings means as of 29 March 2017.

S&P long-term issuer credit ratings

AAA

An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P.

AA

An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Plus (+) or minus (-)

The above ratings (except for 'AAA') may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Please refer to https://www.spratings.com/en_US/understanding-ratings for further details.

Moody's long-term ratings definitions

Aaa

Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Modifiers "1", "2" and "3"

Moody's appends numerical modifiers 1, 2 and 3 to each of the above generic rating classifications (except for Aaa). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Please refer to https://www.moodys.com/Pages/amr002002.aspx for further details.

Fitch's long-term ratings definitions

AAA

Highest credit quality. 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA

Very high credit quality. 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A

High credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB

Good credit quality. 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

Modifiers "+" and "-"

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' long-term rating category.

Please refer to https://www.fitchratings.com/web_content/ratings/fitch_ratings_definitions_and_scales.pdf for further details.

Rating Outlooks

A rating outlook indicates the potential direction of a long-term credit rating over the intermediate term (for example, this is typically six months to two years for S&P, whereas for Fitch it is a one to two year period). A rating outlook issued by S&P or Moody's will usually indicate whether the potential direction is likely to be "positive", "negative", "stable" or "developing" whereas a rating outlook issued by Fitch will usually indicate whether the potential direction is likely to be "positive", "negative", "stable" or "evolving". Please refer to the abovementioned websites of the relevant credit rating agencies for further details regarding rating outlooks published by the relevant credit rating agencies.

APPENDIX 5 — AUDITORS' REPORT AND THE GUARANTOR'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The information in this Appendix 5 is the Guarantor's Consolidated Financial Statements for the year ended 31 December 2016. Auditors' report and the Guarantor's Consolidated Financial Statements for the year ended 31 December 2016 are free English translations of the French original versions. References to page numbers on the following pages are to the page numbers of such Consolidated Financial Statements. We draw your attention to the fact that the information presented in Chapter 5 of the Guarantor's registration document and identified by the word "Audited", which is an integral part of the notes to the Guarantor's consolidated financial statements, is not included in the Base Listing Document. The Auditors' report only covers the Guarantor's consolidated financial statements as at 31 December 2016 and for the year then ended, including the information referred to above which is an integral part of those financial statements.

BNP PARIBAS SA

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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.

For the year ended 31 December 2016

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	Etienne Boris	Hervé Hélias

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

BNP PARIBAS

The bank
for a changing
world

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CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

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.

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

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

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**

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**

STATEMENT OF CHANGES IN SHAREHOLDERS'

	Capital and retained earnings						
	Attributable to shareholders				Minority interests		
In millions of euros	Share capital and additional paid-in capital	Undated Super Subordinated Notes	Non-distributed reserves	Total	Capital and retained earnings	Preferred shares eligible as Tier 1 capital	Total
Capital and retained earnings at 31 December 2014	**26,971**	**6,589**	**49,807**	**83,367**	**4,025**	**73**	**4,098**
Appropriation of net income for 2014			**(1,867)**	**(1,867)**	**(131)**		**(131)**
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)	(2)		(2)
Impact of internal transactions on minority shareholders (note 7.d)			(2)	(2)	2		2
Movements in consolidation scope impacting minority shareholders			(2)	(2)	(521)		(521)
Acquisitions of additional interests or partial sales of interests (note 7.d)			(3)	(3)	(4)		(4)
Change in commitments to repurchase minority shareholders' interests			49	49	(103)		(103)
Other movements			(11)	(11)	(4)		(4)
Changes in assets and liabilities recognised directly in equity			451	451	6		6
Net income for 2015			**6,694**	**6,694**	**350**		**350**
Capital and retained earnings at 31 December 2015	**26,897**	**7,855**	**54,781**	**89,533**	**3,618**	**73**	**3,691**
Appropriation of net income for 2015			**(2,877)**	**(2,877)**	**(112)**		**(112)**
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)	(2)		(2)
Impact of internal transactions on minority shareholders (note 7.d)			4	4	(4)		(4)
Movements in consolidation scope impacting minority shareholders				-	3		3
Acquisitions of additional interests or partial sales of interests (note 7.d)			(32)	(32)	494		494
Change in commitments to repurchase minority shareholders' interests			(2)	(2)	(7)		(7)
Other movements			(7)	(7)	(10)		(10)
Changes in assets and liabilities recognised directly in equity			(210)	(210)	(6)		(6)
Net income for 2016			**7,702**	**7,702**	**413**		**413**
Capital and retained earnings at 31 December 2016	**26,948**	**8,430**	**59,118**	**94,496**	**4,387**	**73**	**4,460**

EQUITY BETWEEN 1 JAN. 2015 AND 31 DEC. 2016

Changes in assets and liabilities recognised directly in equity					
Attributable to shareholders				Minority interests	Total equity
Exchange rates	Financial assets available for sale and reclassified as loans and receivables	Derivatives used for hedging purposes	Total		
(291)	**4,865**	**1,517**	**6,091**	**133**	**93,689**
					(1,998)
					2,113
					(891)
					(115)
					7
					(259)
					-
					(523)
					(7)
					(54)
					(15)
616	201	(172)	645	(16)	1,086
					7,044
325	**5,066**	**1,345**	**6,736**	**117**	**100,077**
					(2,989)
					2,059
					(1,315)
					5
					1
					(367)
					-
					3
					462
					(9)
					(17)
320	(694)	(193)	(567)	(22)	(805)
					8,115
645	**4,372**	**1,152**	**6,169**	**95**	**105,220**

NOTES TO THE FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY THE BNP PARIBAS 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.

[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.

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.

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. 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 recognised 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[2] 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.

(2) As defined by IAS 36.

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;
- 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[3] 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.

(3) Monetary assets and liabilities are assets and liabilities to be received or paid in fixed or determinable amounts of cash.

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.

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 the 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.

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

In millions of euros	Year to 31 Dec. 2016			Year to 31 Dec. 2015		
	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 variance 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 U.S. Department of Justice, the U.S. Attorney's Office for the Southern District of New York, the New York County District Attorney's Office, the Board of Governors of the U.S. 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		Year to 31 Dec. 2015	
	in millions of euros	tax rate	in millions of euros	tax rate
Corporate income tax expense on pre-tax income at standard tax rate in France [(1)]	**(3,704)**	**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.

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	31 December 2016	31 December 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**

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.

In millions of euros	31 December 2016		31 December 2015	
	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		31 December 2015	
	Positive market value	Negative market value	Positive market value	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.

In millions of euros	31 December 2016				31 December 2015			
	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		31 December 2015	
	Positive fair value	Negative fair value	Positive fair value	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.

In millions of euros	31 December 2016											
	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	**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) 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 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 26bp to 771bp.

(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 750bp.

(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 (PV 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:

In millions of euros	Financial Assets				Financial Liabilities		
	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**

In millions of euros	31 December 2016					
	< 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**

In millions of euros	31 December 2015					
	< 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**	**14,649**	**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 Tier 1	Amount [2] eligible to Tier 2	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:

In millions of euros	Year to 31 Dec. 2016			31 December 2016	Year to 31 Dec. 2015			31 December 2015
	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.

Financing and guarantee commitments given by the Group to joint ventures are listed in the note 7.h Other related parties.

The carrying amount of the Group's investment in the main joint ventures and associates is presented in the following table:

In millions of euros	Country of registration	Activity	31 December 2016		31 December 2015	
			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:

In millions of euros	Carrying amount		Impairment recognised during the period		Acquisitions during the period	
	31 December 2016	31 December 2015	Year to 31 Dec. 2016	Year to 31 Dec. 2015	Year to 31 December 2016	Year to 31 December 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 Bankung, 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 4.1 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:**

	31 December 2016		31 December 2015	
In millions of euros, at	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.

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).

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 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 reimburse-ment 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 reimburse-ment 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 reimburse-ment 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 reimburse-ment 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:

	31 December 2016		31 December 2015	
In %	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:

	31 December 2016		31 December 2015	
Change in the present value of obligations In millions of euros	Discount rate -100bp	Discount rate +100bp	Discount rate -100bp	Discount rate +100bp
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 term 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 current 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 CRD4 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 CRD4 of 26 July 2013 transposed into the French law in the Monetary and Financial Code by the Order of 20 February 2014 as well as the Decrees and Orders of 3 November 2014 and the delegated European regulation of 4 March 2014, the variable compensation plans apply to Group employees performing activities that may have a material impact on the Group's risk profile.

  Under these plans, payment is deferred over time and is contingent on the performance achieved by the business lines, core businesses and Group.

  Sums will mostly be paid in cash linked to the increase or decrease in the BNP Paribas share price.

- Deferred variable compensation for other Group employees

  Sums due under the annual deferred compensation plans for high-performing employees are partly paid in cash linked to the increase or decrease in the BNP Paribas share price.

- **Global Share-Based Incentive Plan (until 2012)**

BNP Paribas set up a Global Share-Based Incentive Plan for some Group employees, including stock options and performance share awards.

The option exercise price under these plans is determined at the time of issuance and no discount is offered. The duration of the options granted is 8 years.

Performance shares awarded between 2009 and 2012 vest after a period of 3 or 4 years, depending on the case and provided that the employee is still a member of the Group. The compulsory holding period for performance shares is two years for France-based employees.

Since 2010, the conditional portion granted had been set at 100% of the total award for members of the BNP Paribas Group Executive Committee and senior managers and 20% for other beneficiaries.

Under stock option plans set up between 2003 and 2011, the performance condition was not fully met on seven out of thirty occasions and the adjustments described above were therefore implemented. Under performance share plans awarded between 2009 and 2012, the performance condition was not met on three out of ten occasions and the relevant contingent portion therefore lapsed.

All unexpired plans settle in a potential subscription of BNP Paribas shares.

- Expense of share-based payment

	Year to 31 Dec. 2016			Year to 31 Dec. 2015
Expense / (revenue) in millions of euros	Performance share plans	Variable deferred compensation plans	Total expense	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 is 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**

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 if the notes are not redeemed at the end of this period.

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 / (loss) 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 U.S. 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 with representatives of certain shareholder groups a proposed settlement 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 intra-group balances and transactions) and to the Group profit and loss account.

In millions of euros	31 December 2016	Year to 31 Dec. 2016						
	Total assets before elimination of intra-group 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

In millions of euros	31 December 2015	Year to 31 Dec. 2015						
	Total assets before elimination of intra-group 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 (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.

- **Outstanding balances of related-party transactions:**

In millions of euros	31 December 2016		31 December 2015	
	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 Switzerland'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

Name	Country	31 December 2016 Method	31 December 2016 Voting (%)	31 December 2016 Interest (%)	31 December 2016 Ref.	31 December 2015 Method	31 December 2015 Voting (%)	31 December 2015 Interest (%)	31 December 2015 Ref.
BNP Paribas SA	France								
BNPP SA (Argentina branch)	Argentina	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Australia branch)	Australia	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Bahrain branch)	Bahrain	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Belgium branch)	Belgium	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Bulgaria branch)	Bulgaria	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Canada branch)	Canada	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Cayman Islands branch)	Cayman Islands	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Germany branch)	Germany	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Hong Kong branch)	Hong Kong	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Hungary branch)	Hungary	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (India branch)	India	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Ireland branch)	Ireland	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Italy branch)	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Japan branch)	Japan	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Jersey branch)	Jersey	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Kuwait branch)	Kuwait	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Luxembourg branch)	Luxembourg	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Malaysia branch)	Malaysia	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Monaco branch)	Monaco	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Netherlands branch)	Netherlands	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Norway branch)	Norway								S1
BNPP SA (Panama branch)	Panama	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Philippines branch)	Philippines	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Poland branch)	Poland	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Portugal branch)	Portugal	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Qatar branch)	Qatar	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Republic of Korea branch)	Rep. of Korea	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Saudi Arabia branch)	Saudi Arabia	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Singapore branch)	Singapore	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (South Africa branch)	South Africa	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Spain branch)	Spain	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Taiwan branch)	Taiwan	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Thailand branch)	Thailand	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (UK branch)	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (United Arab Emirates branch)	United Arab Emirates	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (USA branch)	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SA (Viet Nam branch)	Viet Nam	Full	100.0%	100.0%		Full	100.0%	100.0%	
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)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Developpement	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Factor	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Factor (Spain branch)	Spain	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Factor AS	Denmark	Equity *	100.0%	99.9%		Equity *	100.0%	99.9%	E1
BNPP Factor Portugal	Portugal	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Guadeloupe	France				S4	Full (1)	100.0%	100.0%	
BNPP Guyane	France				S4	Full (1)	100.0%	100.0%	
BNPP Nouvelle Caledonie	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Réunion	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
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	100.0%	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	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Factor Deutschland BV	Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Factor GmbH	Germany	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Factoring Coverage Europe Holding NV	Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis	Belgium	Full	99.9%	99.9%		Full	99.9%	99.9%	
BNPP Fortis (Austria branch)	Austria	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis (Cayman Islands branch)	Cayman Islands								S1
BNPP Fortis (Czech Republic branch)	Czech Republic	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis (Denmark branch)	Denmark	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis (Finland branch)	Finland	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis (Germany branch)	Germany				S1	Full	100.0%	99.9%	
BNPP Fortis (Netherlands branch)	Netherlands	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis (Norway branch)	Norway	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis (Romania branch)	Romania	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis (Spain branch)	Spain	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis (Sweden branch)	Sweden	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis (UK branch)	UK								S1
BNPP Fortis (USA branch)	USA	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis Factor NV	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis Funding SA	Luxembourg	Full	100.0%	99.9%		Full	100.0%	99.9%	
Bpost banque	Belgium	Equity (3)	50.0%	50.0%		Equity (3)	50.0%	50.0%	
Demetris NV	Belgium	Equity *	100.0%	99.9%		Equity *	100.0%	99.9%	
Immobilière Sauvenière SA	Belgium	Equity *	100.0%	99.9%		Equity *	100.0%	99.9%	
Structured Entities									
BASS Master Issuer NV	Belgium	Full	-	-		Full	-	-	
Esmée Master Issuer	Belgium	Full	-	-		Full	-	-	

Name	Country	31 December 2016 Method	31 December 2016 Voting (%)	31 December 2016 Interest (%)	31 December 2016 Ref.	31 December 2015 Method	31 December 2015 Voting (%)	31 December 2015 Interest (%)	31 December 2015 Ref.
Retail Banking - Luxembourg									
BGL BNPP	Luxembourg	Full	66.0%	65.9%		Full	66.0%	65.9%	
BGL BNPP (Germany branch)	Germany	Full	100.0%	65.9%		Full	100.0%	65.9%	
BGL BNPP Factor SA	Luxembourg				S4	Full	100.0%	65.9%	
BNPP Lease Group Luxembourg SA	Luxembourg	Full	100.0%	65.9%		Full	100.0%	65.9%	
Cofhylux SA	Luxembourg	Full	100.0%	65.9%		Full	100.0%	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	100.0%	100.0%		Full	100.0%	100.0%	
BNL Finance SPA	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNL Positivity SRL	Italy	Full	100.0%	100.0%	V1	Full	51.0%	51.0%	
Business Partners Italia SCPA	Italy	Full	99.9%	99.8%	V3	Full	100.0%	99.9%	V3
International Factors Italia SPA - Ifitalia	Italy	Full	99.7%	99.7%		Full	99.7%	99.7%	
Servizio Italia SPA	Italy	Equity *	100.0%	100.0%	E1				
Sviluppo HQ Tiburtina SRL	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
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 *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	E1
Arval AB	Sweden	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	E2
Arval AS	Denmark	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Austria GmbH	Austria	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Belgium SA	Belgium	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval Benelux BV	Netherlands	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval Brasil Ltda	Brazil	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval BV	Netherlands	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval CZ SRO	Czech Republic	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval Deutschland GmbH	Germany	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval ECL	France								S4
Arval Fleet Services (Ex- GE Capital Fleet Services Fr)	France	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	E3
Arval Fleet Services BV (Ex- GE Fleet Services BV	Netherlands	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	E3
Arval Hellas Car Rental SA	Greece	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval India Private Ltd	India	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Italy Fleet Services SRL	Italy	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	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 *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Magyarorszag KFT	Hungary	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Maroc SA	Morocco	Equity *	100.0%	89.0%	V3	Equity *	100.0%	88.9%	V3
Arval OOO	Russia	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval Oy	Finland	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Schweiz AG	Switzerland	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Service Lease	France	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval Service Lease Aluger Operational Automoveis SA	Portugal	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Service Lease Italia SPA	Italy	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval Service Lease Polska SP ZOO	Poland	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval Service Lease Romania SRL	Romania	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Service Lease SA	Spain	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval Slovakia	Slovakia	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval Trading	France	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
Arval UK Group Ltd	UK	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Arval UK Leasing Services Ltd (Ex- GE Commercial Finance Fleet Services Ltd)	UK	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	E3
Arval UK Ltd	UK	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Autovalley	France								S4
BNPP Fleet Holdings Ltd	UK	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
Cofiparc	France	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	
GE Auto Service Leasing GmbH	Germany				S4	Full	100.0%	100.0%	E3
GE Auto Service Leasing GmbH	Austria				S4	Equity *	100.0%	100.0%	E3
GE Capital Largo Plazo SL	Spain				S4	Full	100.0%	100.0%	E3
Greenval Insurance Company Ltd	Ireland	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
Itelcar - Automoveis de Aluguer Unipessoal Lda	Portugal				S4	Equity *	100.0%	100.0%	E3
Locadif	Belgium	Full	100.0%	99.9%	V3	Full	100.0%	100.0%	E3
Public Location Longue Durée	France	Equity *	100.0%	99.9%	V3	Equity *	100.0%	100.0%	
TEB Arval Arac Filo Kiralama AS	Turkey	Full	100.0%	75.0%	V3	Full	100.0%	75.0%	
Leasing Solutions									
Ace Equipment Leasing	Belgium				S3	Full	100.0%	83.0%	
Albury Asset Rentals Ltd	UK	Full	100.0%	83.0%		Full	100.0%	83.0%	
All In One Vermietung GmbH	Austria				S3	Equity *	100.0%	83.0%	
All In One Vermietungsgesellschaft für Telekommunicationsanlagen mbH	Germany	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
Aprolis Finance	France	Full	51.0%	42.3%		Full	51.0%	42.3%	
Aprolis Finance (Romania branch)	Romania								S1
Arius	France	Full	100.0%	83.0%		Full	100.0%	83.0%	
Artegy	France	Full	100.0%	83.0%		Full	100.0%	83.0%	

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 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.
BNPP Finansal Kiralama AS	Turkey	Full	100.0%	82.5%		Full	100.0%	82.5%	V4
BNPP Lease Group	France	Full (1)	100.0%	83.0%		Full (1)	100.0%	83.0%	
BNPP Lease Group (Germany branch)	Germany	Full (1)	100.0%	83.0%		Full (1)	100.0%	83.0%	
BNPP Lease Group (Italy branch)	Italy	Full (1)	100.0%	83.0%		Full (1)	100.0%	83.0%	
BNPP Lease Group (Portugal branch)	Portugal	Full (1)	100.0%	83.0%		Full (1)	100.0%	83.0%	
BNPP Lease Group (Rentals) Ltd	UK	Full	100.0%	83.0%		Full	100.0%	83.0%	
BNPP Lease Group (Spain branch)	Spain	Full (1)	100.0%	83.0%		Full (1)	100.0%	83.0%	
BNPP Lease Group IFN SA	Romania	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
BNPP Lease Group KFT	Hungary	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
BNPP Lease Group Leasing Solutions SPA	Italy	Full	100.0%	95.5%		Full	100.0%	95.5%	
BNPP Lease Group Lizing RT	Hungary	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
BNPP Lease Group PLC	UK	Full	100.0%	83.0%		Full	100.0%	83.0%	
BNPP Lease Group Polska SP ZOO	Poland	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
BNPP Lease Group SA Belgium	Belgium	Full	100.0%	83.0%		Full	100.0%	83.0%	
BNPP Leasing Solutions	Luxembourg	Full	100.0%	83.0%		Full	100.0%	83.0%	
BNPP Leasing Solutions Immobilier Suisse	Switzerland								S4
BNPP Leasing Solutions Ltd	UK	Full	100.0%	83.0%		Full	100.0%	83.0%	
BNPP Leasing Solutions NV	Netherlands	Full	100.0%	83.0%		Full	100.0%	83.0%	
BNPP Leasing Solutions Suisse SA	Switzerland	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
BNPP Rental Solutions Ltd (Ex- Artegy Ltd)	UK	Equity *	100.0%	83.0%		Equity *	100.0%	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)	100.0%	49.9%		Full (1)	100.0%	49.9%	
Claas Financial Services (Italy branch)	Italy	Full (1)	100.0%	49.9%		Full (1)	100.0%	49.9%	
Claas Financial Services (Poland branch)	Poland	Full (1)	100.0%	49.9%		Full (1)	100.0%	49.9%	
Claas Financial Services (Spain branch)	Spain	Full (1)	100.0%	49.9%		Full (1)	100.0%	49.9%	
Claas Financial Services Inc	USA				S2	Full	100.0%	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)	100.0%	41.6%		Full (1)	100.0%	41.6%	
CNH Industrial Capital Europe (Germany branch)	Germany	Full (1)	100.0%	41.6%		Full (1)	100.0%	41.6%	
CNH Industrial Capital Europe (Italy branch)	Italy	Full (1)	100.0%	41.6%		Full (1)	100.0%	41.6%	
CNH Industrial Capital Europe (Poland branch)	Poland	Full (1)	100.0%	41.6%		Full (1)	100.0%	41.6%	
CNH Industrial Capital Europe (Spain branch)	Spain	Full (1)	100.0%	41.6%		Full (1)	100.0%	41.6%	
CNH Industrial Capital Europe BV	Netherlands	Full	100.0%	41.6%		Full	100.0%	41.6%	
CNH Industrial Capital Europe GmbH	Austria	Full	100.0%	41.6%		Full	100.0%	41.6%	
CNH Industrial Capital Europe Ltd	UK	Full	100.0%	41.6%		Full	100.0%	41.6%	
Commercial Vehicle Finance Ltd	UK	Full	100.0%	83.0%		Full	100.0%	83.0%	
ES-Finance	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
Fortis Lease	France	Full (1)	100.0%	83.0%		Full (1)	100.0%	83.0%	
Fortis Lease Belgium	Belgium	Full	100.0%	83.0%		Full	100.0%	83.0%	
Fortis Lease Deutschland GmbH	Germany	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
Fortis Lease Iberia SA	Spain	Equity *	100.0%	86.6%		Equity *	100.0%	86.6%	
Fortis Lease Operativ Lizing Zartkoruen Mukodo Reszvenytarsasag	Hungary				S1	Equity *	100.0%	83.0%	
Fortis Lease Portugal	Portugal	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
Fortis Lease Romania IFN SA	Romania								S4
Fortis Lease UK Ltd	UK	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
Fortis Lease UK Retail Ltd	UK				S3	Equity *	100.0%	83.0%	
Fortis Vastgoedlease BV	Netherlands	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	
HFGL Ltd	UK				S1	Full	100.0%	83.0%	
Humberclyde Commercial Investments Ltd	UK	Full	100.0%	83.0%		Full	100.0%	83.0%	
Humberclyde Commercial Investments N°1 Ltd	UK				S1	Full	100.0%	83.0%	
JCB Finance	France	Full (1)	100.0%	41.6%		Full (1)	100.0%	41.6%	
JCB Finance (Germany branch)	Germany	Full (1)	100.0%	41.6%		Full (1)	100.0%	41.6%	
JCB Finance (Italy branch)	Italy	Full (1)	100.0%	41.6%		Full (1)	100.0%	41.6%	
JCB Finance Holdings Ltd	UK	Full	50.1%	41.6%		Full	50.1%	41.6%	
Locatrice Italiana SPA	Italy	Equity *	100.0%	83.0%		Equity *	100.0%	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)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Natiocrédimurs	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Natioénergie 2	France				S3	Equity *	100.0%	100.0%	
RD Portofoliu SRL	Romania	Equity *	100.0%	83.0%		Equity *	100.0%	83.0%	E2
Same Deutz Fahr Finance	France	Full (1)	100.0%	83.0%		Full (1)	100.0%	83.0%	
Same Deutz Fahr Finance Ltd	UK	Full	100.0%	83.0%		Full	100.0%	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	100.0%	100.0%		Full	100.0%	100.0%	V4
Sharekhan Financial Services Private Ltd	India	Equity *	100.0%	100.0%	E3				
Sharekhan Ltd	India	Full	100.0%	100.0%	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	100.0%	99.9%		Full	100.0%	99.9%	
Axa Banque Financement	France	Equity	35.0%	35.0%		Equity	35.0%	35.0%	
Banco BNPP Personal Finance SA	Portugal	Full	100.0%	100.0%		Full	100.0%	100.0%	
Banco Cetelem Argentina SA	Argentina	Full	100.0%	100.0%		Full	100.0%	100.0%	
Banco Cetelem SA	Spain	Full	100.0%	100.0%		Full	100.0%	100.0%	

Name	Country	31 December 2016				31 December 2015			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
Banco Cetelem SA	Brazil	Full	100.0%	100.0%		Full	100.0%	100.0%	
Banco de Servicios Financieros SA	Argentina	Equity	40.0%	40.0%		Equity	40.0%	40.0%	
Banque Solfea	France	Equity (3)	45.0%	45.0%	V4	Equity (3)	44.9%	44.9%	
BGN Mercantil E Servicos Ltda	Brazil	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
BNPP Personal Finance	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Personal Finance (Austria branch)	Austria	Full	100.0%	100.0%	E2				
BNPP Personal Finance (Czech Republic branch)	Czech Republic	Full	100.0%	100.0%		Full	100.0%	100.0%	E2
BNPP Personal Finance (Slovakia branch)	Slovakia	Full	100.0%	100.0%	E2				
BNPP Personal Finance BV	Netherlands	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Personal Finance EAD	Bulgaria	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Personal Finance SA de CV	Mexico	Full	100.0%	100.0%		Full	100.0%	100.0%	
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	100.0%	100.0%		Full	100.0%	100.0%	
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	100.0%	100.0%		Full	100.0%	100.0%	
Cetelem Servicos Ltda	Brazil	Equity *	100.0%	100.0%	D1	Full	100.0%	100.0%	
Cetelem Slovensko AS	Slovakia				S4	Full	100.0%	100.0%	
CMV Médiforce	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Cofica Bail	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Cofiplan	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
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	100.0%	100.0%		Full	100.0%	100.0%	
Creation Financial Services Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
Creation Marketing Services Ltd	UK								S1
Crédit Moderne Antilles Guyane	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Crédit Moderne Océan Indien	France	Full (1)	97.8%	97.8%		Full (1)	97.8%	97.8%	
Direct Services	Bulgaria	Full	100.0%	100.0%		Full	100.0%	100.0%	
Domofinance	France	Full (1)	55.0%	55.0%		Full (1)	55.0%	55.0%	
Effico	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
Effico Iberia SA	Spain	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
EkspresBank	Denmark	Full	100.0%	100.0%		Full	100.0%	100.0%	
EkspresBank (Norway branch)	Norway	Full	100.0%	100.0%		Full	100.0%	100.0%	
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
Finestic Expansion SA	Spain				S4	Full	100.0%	100.0%	
Findomestic Banca SPA	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
Findomestic Banka AD	Serbia	Equity *	100.0%	100.0%	D1	Full	100.0%	100.0%	
GCC Consumo Establecimiento Financiero de Credito SA	Spain	Equity *	51.0%	51.0%	E1				
Gesellschaft für Capital & Vermögensverwaltung GmbH	Germany	Equity *	100.0%	99.9%		Equity *	100.0%	99.9%	
Gestion et Services Groupe Cofinoga GIE	France								S4
Inkasso Kodat GmbH & Co KG	Germany	Equity *	100.0%	99.9%		Equity *	100.0%	99.9%	
LaSer Cofinoga	France								S4
LaSer Loyalty	France								S4
LaSer SA	France								S4
Leval 20	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
Loisirs Finance	France	Full (1)	51.0%	51.0%		Full (1)	51.0%	51.0%	
Magyar Cetelem Bank ZRT	Hungary	Full	100.0%	100.0%		Full	100.0%	100.0%	
Norrsken Finance	France	Full (1)	100.0%	100.0%	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)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Projeo	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	V1
RCS Botswana Proprietary Ltd	Botswana								S3
RCS Cards Proprietary Ltd	South Africa	Full	100.0%	100.0%		Full	100.0%	100.0%	
RCS Collections Proprietary Ltd	South Africa								S3
RCS Home Loans Proprietary Ltd	South Africa								S3
RCS Investment Holdings Ltd	South Africa	Full	100.0%	100.0%		Full	100.0%	100.0%	
RCS Investment Holdings Namibia Proprietary Ltd	Namibia								S3
Retail Mobile Wallet	France	Full	100.0%	100.0%		Full	100.0%	100.0%	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	100.0%	100.0%		Full	100.0%	100.0%	
Symag	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
TEB Tuketici Finansman AS	Turkey	Full	100.0%	92.8%		Full	100.0%	92.8%	
UCB Ingatlanhitel RT	Hungary	Full	100.0%	100.0%		Full	100.0%	100.0%	
Union de Creditos Inmobiliarios	Spain	Equity (3)	50.0%	50.0%		Equity (3)	50.0%	50.0%	
Von Essen Bank GmbH (Ex- Von Essen Bank GmbH & Co KG Bankgesellschaft)	Germany	Full	100.0%	99.9%		Full	100.0%	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	-	-	

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 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.
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	100,0%	100,0%		Full	100,0%	100,0%	
BancWest Corporation	USA	Full	100,0%	100,0%	E2				
BancWest Holding Inc	USA	Full	100,0%	100,0%	E2				
BancWest Investment Services Inc	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Bank of the West	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Bank of the West (Cayman Islands branch)	Cayman Islands				S1	Full	100,0%	100,0%	
Bishop Street Capital Management Corporation	USA	Full	100,0%	82,6%	V3	Full	100,0%	100,0%	
BW Insurance Agency Inc	USA								S2
Center Club Inc	USA	Full	100,0%	82,6%	V3	Full	100,0%	100,0%	
CFB Community Development Corporation	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Claas Financial Services LLC	USA	Full	51,0%	51,0%	V2	Full	75,9%	63,4%	
Commercial Federal Affordable Housing Inc	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Commercial Federal Community Development Corporation	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Commercial Federal Insurance Corporation	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Commercial Federal Investment Service Inc	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Community Service Inc	USA								S1
FHB Guam Trust Co	USA	Full	100,0%	82,6%	V3	Full	100,0%	100,0%	
FHL SPC One Inc	USA	Full	100,0%	82,6%	V3	Full	100,0%	100,0%	
First Bancorp	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
First Hawaïan Bank (Cayman Islands branch)	Cayman Islands								S1
First Hawaiian Bank	USA	Full	100,0%	82,6%	V3	Full	100,0%	100,0%	
First Hawaiian Capital 1	USA								S1
First Hawaiian Inc (Ex- BancWest Corporation)	USA	Full	82,6%	82,6%	V2	Full	100,0%	100,0%	
First Hawaiian Leasing Inc	USA	Full	100,0%	82,6%	V3	Full	100,0%	100,0%	
First National Bancorporation	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
First Santa Clara Corporation	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Liberty Leasing Company	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Mountain Falls Acquisition Corporation	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
Real Estate Delivery 2 Inc	USA	Full	100,0%	82,6%	V3	Full	100,0%	100,0%	
The Bankers Club Inc	USA	Full	100,0%	82,6%	V3	Full	100,0%	100,0%	
Ursus Real Estate Inc	USA	Full	100,0%	100,0%		Full	100,0%	100,0%	
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	-	-	
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 Cote 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 *	100,0%	67,0%	V4	Equity *	100,0%	66,7%	V3
BMCI Assurance SARL	Morocco	Equity *	100,0%	67,0%	V4	Equity *	100,0%	66,7%	V3
BMCI Banque Offshore	Morocco	Full	100,0%	67,0%	V4	Full	100,0%	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	100,0%	100,0%		Full	100,0%	100,0%	

(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)

Name	Country	31 December 2016				31 December 2015			
		Method	Voting (%)	Interest (%)	Ref.	Method	Voting (%)	Interest (%)	Ref.
BNPP Fortis Yatirimlar Holding AS	Turkey	Full	100,0%	99,9%		Full	100,0%	99,9%	
BNPP IRB Participations	France	Full	100,0%	100,0%		Full	100,0%	100,0%	
BNPP Yatirimlar Holding AS	Turkey	Full	100,0%	100,0%		Full	100,0%	100,0%	
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	100,0%	88,3%	E2
TEB Faktoring AS	Turkey	Full	100,0%	72,5%	V4	Full	100,0%	72,4%	V4
TEB Holding AS	Turkey	Full	50,0%	50,0%		Full	50,0%	50,0%	
TEB Portfoy Yonetimi AS	Turkey	Full	100,0%	72,5%		Full	100,0%	72,5%	V1
TEB SH A	Serbia	Full	100,0%	50,0%		Full	100,0%	50,0%	
TEB Yatirim Menkul Degerler AS	Turkey	Full	100,0%	72,5%	V4	Full	100,0%	72,4%	V1
The Economy Bank NV	Netherlands								S3
Turk Ekonomi Bankasi AS	Turkey	Full	100,0%	72,5%	V4	Full	100,0%	72,4%	V1
Turk Ekonomi Bankasi AS (Bahrain branch)	Bahrain								S1
UkrSibbank Public JSC	Ukraine	Full	60,0%	60,0%	V2	Full	85,0%	100,0%	
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)	100,0%	100,0%		Full (2)	100,0%	100,0%	
BNPP Cardif BV	Netherlands	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
BNPP Cardif Emeklilik Anonim Sirketi	Turkey	Full (2)	100,0%	100,0%	D1	Equity *	100,0%	100,0%	
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)	100,0%	100,0%		Full (2)	100,0%	100,0%	
BNPP Cardif Pojistovna AS	Czech Republic	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
BNPP Cardif PSC Ltd	UK				S3	Equity *	100,0%	100,0%	
BNPP Cardif Schadeverzekeringen NV	Netherlands	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
BNPP Cardif Seguros de Vida SA	Chile	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
BNPP Cardif Seguros Generales SA	Chile	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
BNPP Cardif Servicios y Asistencia Limitada	Chile	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	
BNPP Cardif TCB Life Insurance Company Ltd	Taiwan	Equity	49,0%	49,0%		Equity	49,0%	49,0%	
BNPP Cardif Vita Compagnia di Assicurazione E Riassicurazione SPA	Italy	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
BOB-Cardif Life Insurance Company Ltd	China	Equity	50,0%	50,0%		Equity	50,0%	50,0%	
Cardif Assurance Vie	France	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Austria branch)	Austria	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Belgium branch)	Belgium	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Bulgaria branch)	Bulgaria	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Germany branch)	Germany	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Italy branch)	Italy	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Japan branch)	Japan	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Portugal branch)	Portugal	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Romania branch)	Romania	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Spain branch)	Spain	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Switzerland branch)	Switzerland	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurance Vie (Taiwan branch)	Taiwan	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers	France	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Austria branch)	Austria	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Belgium branch)	Belgium	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Bulgaria branch)	Bulgaria	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Germany branch)	Germany	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Italy branch)	Italy	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Japan branch)	Japan	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Luxembourg branch)	Luxembourg	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Poland branch)	Poland	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Portugal branch)	Portugal	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Romania branch)	Romania	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Spain branch)	Spain	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Switzerland branch)	Switzerland	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Assurances Risques Divers (Taiwan branch)	Taiwan	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Biztosito Magyarorszag ZRT	Hungary				S3	Equity *	100,0%	100,0%	
Cardif Colombia Seguros Generales SA	Colombia	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif del Peru Sa Compania de Seguros	Peru								S3
Cardif do Brasil Seguros e Garantias SA	Brazil	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif do Brasil Vida e Previdencia SA	Brazil	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif El Djazair	Algeria	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	E1
Cardif Forsakring AB	Sweden	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	
Cardif Forsakring AB (Denmark branch)	Denmark	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	
Cardif Forsakring AB (Norway branch)	Norway	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	
Cardif Hayat Sigorta Anonim Sirketi	Turkey								S3
Cardif Insurance Company LLC	Russia	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif I-Services	France	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	
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 *	100,0%	100,0%		Equity *	100,0%	100,0%	
Cardif Livforsakring AB (Denmark branch)	Denmark	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	
Cardif Livforsakring AB (Norway branch)	Norway	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	
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 *	100,0%	100,0%		Equity *	100,0%	100,0%	
Cardif Mexico Seguros Generales SA de CV	Mexico	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	
Cardif Nordic AB	Sweden	Full (2)	100,0%	100,0%		Full (2)	100,0%	100,0%	
Cardif Osiguranje Dionicko Drustvo ZA Osiguranje	Croatia	Equity *	100,0%	100,0%		Equity *	100,0%	100,0%	E1

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 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 Method	Voting (%)	Interest (%)	Ref.	31 December 2015 Method	Voting (%)	Interest (%)	Ref.
Cardif Pinnacle Insurance Holdings PLC	UK	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
Cardif Pinnacle Insurance Management Services PLC	UK	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
Cardif Polska Towarzystwo Ubezpieczen na Zycie SA	Poland	Equity *	100.0%	100.0%	D1	Full (2)	100.0%	100.0%	
Cardif Seguros SA	Argentina	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
Cardif Services SAS	France				S3	Equity *	100.0%	100.0%	E1
Cargeas Assicurazioni SPA	Italy	Equity	50.0%	50.0%		Equity	50.0%	50.0%	
CB (UK) Ltd	UK	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
Darnell Ltd	Ireland	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
F&B Insurance Holdings SA	Belgium								S1
GIE BNPP Cardif	France	Full (2)	100.0%	99.0%		Full (2)	100.0%	99.0%	
Icare	France	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
Icare Assurance	France	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
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)	100.0%	100.0%		Full (2)	100.0%	100.0%	
Pinnacle Insurance PLC	UK	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
Pocztylion Arka Powszechne Towarzystwo Emerytalne SA	Poland				S3	Equity	33.3%	33.3%	
Poistovna Cardif Slovakia AS	Slovakia	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
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)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Bank Insinger de Beaufort NV	Netherlands				S2	Full	63.0%	63.0%	
Bank Insinger de Beaufort NV (UK branch)	UK				S2	Full	100.0%	63.0%	
BNPP Espana SA	Spain	Full	99.7%	99.7%		Full	99.7%	99.7%	
BNPP Wealth Management	France				S4	Full (1)	100.0%	100.0%	
BNPP Wealth Management (Hong Kong branch)	Hong Kong				S4	Full (1)	100.0%	100.0%	
BNPP Wealth Management (Singapore branch)	Singapore				S4	Full (1)	100.0%	100.0%	
BNPP Wealth Management Monaco	Monaco	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Conseil Investissement SNC	France	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
Investment Partners									
Alfred Berg Asset Management AB	Sweden	Full	100.0%	98.3%		Full	100.0%	98.3%	
Alfred Berg Asset Management AB (Denmark branch)	Denmark				S1	Full	100.0%	98.3%	
Alfred Berg Asset Management AB (Finland branch)	Finland	Full	100.0%	98.3%		Full	100.0%	98.3%	
Alfred Berg Asset Management AB (Norway branch)	Norway	Full	100.0%	98.3%		Full	100.0%	98.3%	
Alfred Berg Fonder AB	Sweden	Full	100.0%	98.3%		Full	100.0%	98.3%	
Alfred Berg Kapitalforvaltning AB	Sweden	Full	100.0%	98.3%		Full	100.0%	98.3%	
Alfred Berg Kapitalforvaltning AS	Norway	Full	100.0%	98.3%		Full	100.0%	98.3%	
Alfred Berg Kapitalforvaltning Finland AB	Finland	Full	100.0%	98.3%		Full	100.0%	98.3%	
Alfred Berg Rahastoyhtio Oy	Finland	Full	100.0%	98.3%		Full	100.0%	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	100.0%	99.6%		Full	100.0%	99.6%	
BNPP Asset Management Inc	USA								S4
BNPP Asset Management India Private Ltd	India	Equity *	100.0%	98.3%		Equity *	100.0%	98.3%	
BNPP Asset Management SAS	France	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Asset Management SAS (Austria branch)	Austria	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Capital Partners	France	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
BNPP Investment Partners	France	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners (Australia) Holdings Pty Ltd	Australia	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners (Australia) Ltd	Australia	Equity *	100.0%	98.3%		Equity *	100.0%	98.3%	
BNPP Investment Partners Argentina SA	Argentina	Equity *	100.0%	99.6%		Equity *	100.0%	99.6%	
BNPP Investment Partners Asia Ltd	Hong Kong	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners BE Holding	Belgium	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners Belgium	Belgium	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners Belgium (Germany branch)	Germany	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners Funds Nederland NV	Netherlands	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners Japan Ltd	Japan	Full	100.0%	98.3%		Full	100.0%	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	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners NL Holding NV	Netherlands	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners PT	Indonesia	Full	100.0%	98.3%		Full	100.0%	98.3%	

Name	Country	31 December 2016 Method	Voting (%)	Interest (%)	Ref.	31 December 2015 Method	Voting (%)	Interest (%)	Ref.
BNPP Investment Partners Singapore Ltd	Singapore	Equity *	100.0%	98.3%		Equity *	100.0%	98.3%	
BNPP Investment Partners Societa di Gestione del Risparmio SPA	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	V4
BNPP Investment Partners UK Ltd	UK	Full	100.0%	98.3%		Full	100.0%	98.3%	
BNPP Investment Partners USA Holdings Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
CamGestion	France	Full	100.0%	98.3%		Full	100.0%	98.3%	
Fischer Francis Trees & Watts Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
Fischer Francis Trees & Watts UK Ltd	UK				S3	Equity *	100.0%	98.3%	
Fund Channel	Luxembourg	Equity	50.0%	49.1%		Equity	50.0%	49.1%	
FundQuest Advisor	France	Equity *	100.0%	98.3%		Equity *	100.0%	98.3%	
FundQuest Advisor (UK branch)	UK	Equity *	100.0%	98.3%		Equity *	100.0%	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	100.0%	98.3%		Full	100.0%	98.3%	
TKB BNPP Investment Partners Holding BV	Netherlands								S2
Real Estate Services									
Atisreal Netherlands BV	Netherlands	Full	100.0%	100.0%		Full	100.0%	100.0%	
Auguste-Thouard Expertise	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Immobilier Promotion Immobilier d'Entreprise	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Immobilier Promotion Residentiel	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Immobilier Residences Services	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Immobilier Residentiel	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Immobilier Residentiel Service Clients	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Immobilier Residentiel Transaction & Conseil	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Immobilier Residentiel V2i	France								S4
BNPP Real Estate	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate (Dubai branch)	United Arab Emirates	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory & Property Management Czech Republic SRO	Czech Republic	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory & Property Management Hungary Ltd	Hungary	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory & Property Management Ireland Ltd	Ireland	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory & Property Management LLC	United Arab Em								S3
BNPP Real Estate Advisory & Property Management Luxembourg SA	Luxembourg	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory & Property Management UK Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory Belgium SA	Belgium	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory Italy SPA	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory Netherlands BV	Netherlands	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory SA	Romania	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Advisory Spain SA	Spain	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Consult France	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Consult GmbH	Germany	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Facilities Management Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Financial Partner	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate GmbH	Germany	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Holding Benelux SA	Belgium	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Holding GmbH	Germany	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Hotels France	France	Full	100.0%	96.3%	V4	Full	100.0%	96.0%	V3
BNPP Real Estate Investment Management Belgium	Belgium	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Investment Management France	France	Full	100.0%	100.0%	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	100.0%	94.9%		Full	100.0%	94.9%	
BNPP Real Estate Investment Management Germany GmbH (Spain branch)	Spain	Full	100.0%	94.9%		Full	100.0%	94.9%	
BNPP Real Estate Investment Management Italy	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Investment Management Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Investment Management Luxembourg SA	Luxembourg	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Investment Management Spain SA	Spain	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Investment Management UK Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Investment Services	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Italy SRL	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Jersey Ltd	Jersey	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Poland SP ZOO	Poland	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Property Development UK Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Property Developement Italy SPA	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Property Management Belgium	Belgium	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Property Management France SAS	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Property Management GmbH	Germany	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Property Management Italy SRL	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Real Estate Property Management Spain SA	Spain	Full	100.0%	100.0%		Full	100.0%	100.0%	
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	100.0%	100.0%		Full	100.0%	100.0%	
Construction-Sale Companies (Real Estate programs) (d)	France	Full / Equity	-	-		Full / Equity	-	-	
FG Ingenierie et Promotion Immobilière	France	Full	100.0%	100.0%		Full	100.0%	100.0%	

(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 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 Method	Voting (%)	Interest (%)	Ref.	31 December 2015 Method	Voting (%)	Interest (%)	Ref.
Immobiliere des Bergues	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
Locchi SRL	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	E1
Meunier Hispania	Spain				S1	Full	100.0%	100.0%	
Parker Tower Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	E3
Partner's & Services	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
Pyrotex GB 1 SA	Luxembourg	Full	100.0%	100.0%		Full	100.0%	100.0%	
Pyrotex SARL	Luxembourg	Full	100.0%	100.0%		Full	100.0%	100.0%	
REPD Parker Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	E2
San Basilio 45 SRL	Italy				S2	Full	100.0%	100.0%	
Siège Issy	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
Sviluppo Residenziale Italia SRL	Italy	Full	100.0%	100.0%		Full	100.0%	100.0%	
Via Crespi 26 SRL	Italy								S2
Corporate & Institutional Banking									
Securities services									
BNPP Dealing Services	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Dealing Services (UK branch)	UK	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Dealing Services Asia Ltd	Hong Kong	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Fund Administration Services Ireland Ltd	Ireland	Full	100.0%	100.0%		Full	100.0%	100.0%	E3
BNPP Fund Services Australasia Pty Ltd	Australia	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	D1
BNPP Fund Services Australasia Pty Ltd (New Zealand branch)	New Zealand	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	D1
BNPP Fund Services Dublin Ltd	Ireland								S4
BNPP Fund Services France	France				S4	Full	100.0%	100.0%	
BNPP Global Securities Operations Private Ltd (Ex- BNPP Sundaram Global Securities Operations Private Ltd)	India	Full	100.0%	100.0%		Full	100.0%	100.0%	V1
BNPP Securities Services	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Australia branch)	Australia	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Belgium branch)	Belgium	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Germany branch)	Germany	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Greece branch)	Greece	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Guernsey branch)	Guernsey	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Hong Kong branch)	Hong Kong	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Hungary branch)	Hungary	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Ireland branch)	Ireland	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Italy branch)	Italy	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Jersey branch)	Jersey	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Luxembourg branch)	Luxembourg	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Netherlands branch)	Netherlands	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Poland branch)	Poland	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Portugal branch)	Portugal	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Singapore branch)	Singapore	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Spain branch)	Spain	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (Switzerland branch)	Switzerland	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Securities Services (UK branch)	UK	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
CIB EMEA (Europ, Middle East, Africa)									
France									
BNPP Arbitrage	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP Arbitrage (UK branch)	UK	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Esomet	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
Laffitte Participation 22	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
Opéra Trading Capital	France	Full	100.0%	100.0%		Full	100.0%	100.0%	E2
Opéra Trading Capital (Hong Kong branch)	Hong Kong	Full	100.0%	100.0%		Full	100.0%	100.0%	E2
Opéra Trading Capital (UK branch)	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	E2
Parilease	France	Full (1)	100.0%	100.0%		Full (1)	100.0%	100.0%	
Taitbout Participation 3 SNC	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
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 *	100.0%	99.9%		Equity *	100.0%	99.9%	
BNP PUK Holding Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Arbitrage Issuance BV	Netherlands	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Bank JSC	Russia	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Commodity Futures Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Emission-und Handel GmbH	Germany	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Ireland Unlimited Company (Ex- BNPP Ireland)	Ireland	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Islamic Issuance BV	Netherlands	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Net Ltd	UK	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
BNPP Prime Brokerage International Ltd	Ireland	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP UK Holdings Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	

Name	Country	31 December 2016 Method	Voting (%)	Interest (%)	Ref.	31 December 2015 Method	Voting (%)	Interest (%)	Ref.
BNPP UK Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Vartry Reinsurance Ltd	Ireland	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	D1
FScholen	Belgium	Equity	50.0%	50.0%		Equity	50.0%	50.0%	
GreenStars BNPP	Luxembourg	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
Harewood Holdings Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
Hime Holding 1 SA	Luxembourg								S3
Hime Holding 2 SA	Luxembourg								S3
Hime Holding 3 SA	Luxembourg								S3
Landspire Ltd	UK	Full	100.0%	100.0%		Full	100.0%	100.0%	
SC Nueva Condo Murcia SL	Spain	Equity *	100.0%	99.9%		Equity *	100.0%	99.9%	
Utexam Logistics Ltd	Ireland	Full	100.0%	100.0%		Full	100.0%	100.0%	
Utexam Solutions Ltd	Ireland	Full	100.0%	100.0%		Full	100.0%	100.0%	
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	-	-	
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 *	100.0%	100.0%		Equity *	100.0%	100.0%	
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 *	100.0%	60.0%		Equity *	100.0%	60.0%	V1
CIB Americas									
Banco BNPP Brasil SA	Brazil	Full	100.0%	100.0%		Full	100.0%	100.0%	
Banexi Holding Corporation	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP (Canada) Valeurs Mobilières	Canada	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
BNPP Capital Services Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP CC Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Colombia Corporation Financiera SA	Colombia	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
BNPP Energy Trading Canada Corp	Canada				S3	Equity *	100.0%	100.0%	
BNPP Energy Trading GP	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Energy Trading Holdings Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Energy Trading LLC	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP FS LLC	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP IT Solutions Canada Inc	Canada	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	E1
BNPP Leasing Corporation	USA	Equity *	100.0%	100.0%	D1	Full	100.0%	100.0%	
BNPP Mortgage Corp	USA				S4	Full	100.0%	100.0%	
BNPP North America Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Prime Brokerage Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP RCC Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Securities Corp	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP USA Inc (Ex- Paribas North America Inc)	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
Corporation BNPP Canada (Ex- BNPP Canada)	Canada	Full	100.0%	100.0%		Full	100.0%	100.0%	
Cronos Holding Company Ltd	Bermuda								S3
FB Transportation Capital LLC	USA				S1	Full	100.0%	99.9%	
Fortis Funding LLC	USA				S3	Full	100.0%	99.9%	
French American Banking Corporation	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
FSI Holdings Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
Via North America Inc	USA	Full	100.0%	100.0%		Full	100.0%	100.0%	
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	-	-	

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 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 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	100.0%	100.0%		Full	100.0%	100.0%	
BNP Pacific (Australia) Ltd	Australia	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP (China) Ltd	China	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Arbitrage (Hong Kong) Ltd	Hong Kong	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Capital (Asia Pacific) Ltd	Hong Kong								S3
BNPP Commodities Trading (Shanghai) Co Ltd	China	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Finance (Hong Kong) Ltd	Hong Kong	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP India Holding Private Ltd	India	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP India Solutions Private Ltd	India	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Malaysia Berhad	Malaysia	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Securities (Asia) Ltd	Hong Kong	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Securities (Singapore) Pte Ltd	Singapore	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Securities (Taiwan) Co Ltd	Taiwan	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Securities India Private Ltd	India	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Securities Indonesia PT	Indonesia	Full	99.0%	99.0%		Full	99.0%	99.0%	
BNPP Securities Japan Ltd	Japan	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Securities Korea Company Ltd	Rep. of Korea	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP SJ Ltd	Hong Kong	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
BNPP SJ Ltd (Japan branch)	Japan	Equity *	100.0%	100.0%		Equity *	100.0%	100.0%	
BPP Holdings Pte Ltd	Singapore	Full	100.0%	100.0%		Full	100.0%	100.0%	
Structured Entities									
ACG Capital Partners Singapore Pte Ltd	Singapore								S2
Other Business Units									
BNPP Suisse SA	Switzerland	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Suisse SA (Guernsey branch)	Guernsey	Full	100.0%	100.0%		Full	100.0%	100.0%	
BNPP Suisse SA (Jersey branch)	Jersey				S1	Full	100.0%	100.0%	
Private Equity (BNP Paribas Capital)									
BNPP Fortis Private Equity Belgium	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis Private Equity Expansion	Belgium	Full	100.0%	99.9%		Full	100.0%	99.9%	
BNPP Fortis Private Equity Management	Belgium	Equity *	100.0%	99.9%		Equity *	100.0%	99.9%	
Cobema	Belgium	Full	100.0%	100.0%		Full	100.0%	100.0%	
Compagnie Financière Ottomane SA	Luxembourg	Full	97.2%	97.2%	V1	Full	97.1%	97.0%	V1
Property companies (property used in operations)									
Antin Participation 5	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
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)	100.0%	100.0%		Full	100.0%	100.0%	
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)	100.0%	100.0%		Full (1)	100.0%	100.0%	
BNPP SB Re	Luxembourg	Full (2)	100.0%	100.0%		Full (2)	100.0%	100.0%	
Compagnie d'Investissements de Paris	France								S4
Financière BNPP	France								S4
Financière du Marché Saint Honoré	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
GIE Groupement Auxiliaire de Moyens	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
Le Sphinx Assurances Luxembourg SA	Luxembourg	Full (2)	100.0%	100.0%	D1	Equity *	100.0%	100.0%	
Lion International Investments SA (Ex- BNL International Investments SA)	Luxembourg	Full	100.0%	100.0%		Full	100.0%	100.0%	
Plagefin SA	Luxembourg	Full	100.0%	65.9%		Full	100.0%	65.9%	
Sagip	Belgium	Full	100.0%	100.0%		Full	100.0%	100.0%	
Société Auxiliaire de Construction Immobilière	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
Société Orbaisienne de Participations	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
UCB Bail 2	France	Full	100.0%	100.0%		Full	100.0%	100.0%	
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)
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Removals (S) from the scope of consolidation
S1 Cessation of activity (dissolution, liquidation, ...)
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Variance (V) in voting or ownership interest
V1 Additional purchase
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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 with article 7.1 of Regulation n°575/2013 of the European Parliament and of the Council.
(2) Insurance entites 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	Deloitte		PricewaterhouseCoopers Audit		Mazars		TOTAL	
Excluding tax, in thousands of euros	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	Deloitte		PricewaterhouseCoopers Audit		Mazars		TOTAL	
Excluding tax, in thousands of euros	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 of 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.

APPENDIX 6 —
EXTRACT OF THE INTERIM FINANCIAL STATEMENTS OF THE ISSUER FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

The information set out in this Appendix 6 has been extracted from our interim financial statements for the six-month period ended 30 June 2016. References to page numbers on the following pages are to the page numbers of our interim financial statements.

Our interim financial statements have been prepared in accordance with our usual accounting policies and procedures.

Interim financial statements
for the six months period ended 30 June 2016

BNP Paribas Arbitrage Issuance B.V.

Herengracht 595
1017 CE Amsterdam
The Netherlands
Chamber of Commerce Amsterdam No. 33215278

MANAGING DIRECTOR'S REPORT

Description and principal activity of the Company
BNP Paribas Arbitrage Issuance B.V. (the Company) was incorporated on 10 November 1989 under the law of the Netherlands.

The principal objectives of the Company are to issue securities, such as warrants, certificates, private placements, notes, to enter into related OTC agreements and to issue and acquire financial instruments of any nature for account of various entities of the BNP Paribas group.

Audit committee
The Company qualifies as an organisation of public interest pursuant to Dutch and EU law. By making use of the exemption for groups the Company did not install an audit committee. The Company belongs to the BNP Paribas group which has an audit committee that complies with international corporate governance rules.

Operating result
The net profit for the period was EUR 12,506 (the six months' period ended 30 June 2015 profit EUR 10,233).

Liquidity and shareholder's equity
No significant changes to liquidity resources occurred. Equity increased with the result for the period. Liquidity and capital resources are considered sufficient given the objective and activities of the Company.

Financial risk management
Market risk
The Company takes on exposure to market risks arising from positions in interest rates, currency exchange rates, commodities and equity products, all of which are exposed to general and specific market movements. However, these risks are hedged by OTC option and swap agreements with BNP Paribas group entities and therefore these risks are mitigated in principle.

Credit risk
The Company has significant concentration of credit risks as all OTC contracts are acquired from its parent companies and other group companies. Taking into consideration the objective and activities of the Company and the fact that the BNP Paribas group is under supervision of the European Central Bank and the *Autorité de controle prudentiel et de résolution*, Paris, management considers these risks as acceptable. The long term senior debt of BNP Paribas is rated (A) by Standard & Poor's and (A1) by Moody's.

Liquidity risk
The Company has significant liquidity risk exposure. To mitigate this exposure, the Company entered into netting agreements with its parent company and other group companies.

Employees
The Company employs no personnel.

Future outlook
It is expected that the activities of the Company in the second half of 2016 will remain on the same level as in the first half of 2016.

Statement
To the best of our knowledge we declare that:
1. the interim financial statements at 30 June 2016 give a fair view of the assets, the financial position and the profit of the Company; and
2. the interim financial report at 30 June 2016 gives a fair view of the Company's condition on balance sheet date, the development of the Company during the financial period ended 30 June 2016 and all material risks to which the Company is exposed.

Amsterdam, 15 September 2016
The Managing Director,

Signed by
BNP Paribas Finance B.V.

BALANCE SHEET AT 30 JUNE 2016
(before appropriation of the net result)

	Notes	30.06.2016 EUR	31.12.2015 EUR
ASSETS			
Financial fixed assets	1		
Repurchase agreements		295,530,000	0
OTC contracts		31,914,028,049	30,238,524,334
		32,209,558,049	30,238,524,334
Current assets			
OTC contracts	1	17,302,593,789	12,802,271,892
Taxes receivable		6,831	11,702
Accounts receivable group		2,634,378	1,691,388
Cash at banks		71,193	76,012
		17,305,306,191	12,804,050,994
TOTAL ASSETS		**49,514,864,240**	**43,042,575,328**
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity	2		
Share capital issued and paid up		45,379	45,379
Retained earnings		419,613	399,827
Result for the period		12,506	19,786
		477,498	464,992
Long term liabilities			
Issued securities	3	32,209,558,049	30,238,524,334
Current liabilities			
Issued securities	3	17,302,593,789	12,802,271,892
Other liabilities – non group		1,708,147	1,178,689
– group		526,757	135,421
		17,304,828,693	12,803,586,002
TOTAL EQUITY AND LIABILITIES		**49,514,864,240**	**43,042,575,328**

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2016

	Notes	**Period 1.1 to 30.6.2016** EUR	**Period 1.1 to 30.6.2015** EUR
Net result financial instruments	4	0	0
Fee income and other income	5	183,330	158,063
Operating income		183,330	158,063
Operating expenses			
General and administrative expenses		(166,663)	(143,694)
		16,667	14,369
Operating result			
Interest income		11	112
Bank costs and similar charges		(1,045)	(1,688)
Profit before taxation		15,633	12,793
Corporate income tax	6	(3,127)	(2,560)
Profit after taxation		**12,506**	**10,233**

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2016

	Period 1.1 to 30.6.2016	Period 1.1 to 30.6.2015
	EUR	EUR
Cash flow from operating activities		
Issuing of securities against OTC coverage	0	0
Received reimbursed issuing expenses	2,778,027	3,361,221
Received reimbursed general expenses	215,526	269,562
Paid issuing expenses	(2,945,146)	(4,059,951)
Paid general expenses	(142,368)	(213,504)
Received taxes	89,142	76,046
Cash flow from operating activities	(4,819)	(566,626)
Cash flow from financing activities	0	0
Cash flow from investing activities	0	0
Increase/ (decrease) cash at banks	(4,819)	(566,626)
Movements in cash at banks		
Cash at banks at January 1	76,012	652,453
Increase / (decrease) cash at banks	(4,819)	(566,626)
Cash at banks	71,193	85,827

Refer to page 11 for the principles for preparation of the cash flow statement.

SHAREHOLDER'S EQUITY AT 30 JUNE 2016

	30.06.2016	31.12.2015
	EUR	EUR
Shareholder's equity		
Share capital issued and paid up	45,379	45,379
Retained earnings	419,613	399,827
Result for the period	12,506	19,786
TOTAL SHAREHOLDER'S EQUITY	**477,498**	**464,992**

NOTES TO THE FINANCIAL STATEMENTS

GENERAL

BNP Paribas Arbitrage Issuance B.V. (the Company), having its registered address at Amsterdam, was incorporated under the law of the Netherlands on 10 November 1989 as a private limited liability company.

The principal objectives of the Company are to issue securities, such as warrants, certificates, private placements, notes, to enter into related OTC agreements and to issue and acquire financial instruments of any nature for account of various entities of the BNP Paribas group.

All outstanding shares of the Company are owned by BNP Paribas S.A., Paris, France, which company consolidates the figures of the Company. The financial statements of BNP Paribas S.A. can be found on the website group.bnpparibas.com.

SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The interim financial statements of the Company are prepared in accordance with accounting principles generally accepted in the Netherlands and in conformity with the Dutch Guideline for Annual Reporting 394 on Interim Reports. All amounts are stated in euros, the reporting currency, unless stated otherwise.

The accounting principles of the Company are summarised below. These accounting principles have all been applied consistently throughout the financial year and the preceding year unless indicated otherwise.

Accounting convention
The interim financial statements are prepared under the historical cost convention, except for derivatives that are measured at fair value with changes through profit and loss.

Going concern basis of accounting
The interim financial statements have been prepared on a going concern basis. The Company has a master hedging agreement with BNP Paribas group entities under which all issued securities are hedged by OTC option and swap agreements. In addition, the Company has an agreement with BNP Paribas group entities to recharge its operating expenses with a margin of 10%.

Use of estimates and judgements
The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the interim financial statements is included in note 3.

Recognition of income and expenses
The net result financial instruments includes capital gains and losses, currency results, interest income and expense and changes in fair value on the issued securities and related OTC contracts. As the Company enters into an OTC option or swap agreement with a BNP Paribas group company at each issue of securities at exactly the same terms and conditions of the issued security, there is a complete hedge of the economic risk of the Company. Therefore, the net result on the derivatives equals zero and is recorded on a net basis.

Fee income, other income and general and administrative expenses are taken in the year to which they relate. Profits are recognised in the year they are realised; losses are taken as soon as they are foreseeable.

If securities are exercised against the Company, the Company fulfils its obligation by exercising the related OTC contracts with entities of the BNP Paribas group as the case may be. Issued securities and related OTC contracts are released simultaneously. Issued securities not exercised at maturity and the related OTC contracts are released without any further future obligation for the Company.

Valuation of assets and liabilities - general
Unless indicated otherwise, assets and liabilities are stated at amortised cost.

Financial instruments
Financial instruments include accounts receivable and accounts payable, cash at banks and cash equivalents, issued securities and acquired OTC contracts.

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when those contractual provisions are expired or transferred.

Non-derivative financial instruments are measured and accounted for at fair value upon initial recognition and subsequently at amortised cost.

Derivatives (Issued securities and OTC's)
Derivatives are measured and accounted for at fair value upon initial recognition and at subsequent dates. Gains and losses are directly recognised in profit and loss. 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. Reference is made to note 3 for details about the determination of fair values.

The fair values of OTC contracts are calculated in the same way as their related issued securities.

The Company does not apply hedge accounting.

Currencies
The functional currency of the Company is the euro.

Balance sheet items denominated in currencies other than the euro are translated at the rate of exchange prevailing on balance sheet date. Transactions in foreign currencies (not concerning derivatives) during the reporting period have been incorporated at the rate of settlement.

The premiums of the issued securities and the cost of the related OTC contracts are denominated in different currencies. Moreover, the underlying contracts of the securities have their own currency denominations, which are often based on a basket of currencies. The net effect of the currency risk is nil though, as this risk is completely hedged. The currency risk is not specified, as this information is not readily available and can only be obtained at unreasonable high cost.

Corporate income tax
Tax on result is calculated by applying the rates for the financial year to the result in the profit and loss account.

PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT

The cash flow statement is prepared according to the direct method and consists of cash only; paid interest is taken into account under paid general expenses.

Netting agreements between the Company and entities of the BNP Paribas group have been drawn up for all flows resulting from securities and OTC contracts to avoid that payments have to be made for these flows. The outcome of this procedure is reflected in the cash flow report under the heading “Issuing of securities against OTC coverage”.

FINANCIAL RISK MANAGEMENT

Market risk
The Company takes on exposure to market risks arising from positions in interest rates, currency exchange rates, commodities and equity products, all of which are exposed to general and specific market movements. However, all issued securities are hedged by OTC option and swap agreements with BNP Paribas group entities and therefore these risks are completely mitigated.

Credit risk
The Company has a significant concentration of credit risks as all OTC contracts are acquired from its parent company and other group companies. Taking into consideration the objective and activities of the Company and the fact that BNP Paribas group is under supervision of the European Central Bank and the *Autorité de controle prudentiel et de résolution*, Paris, management considers these risks as acceptable. The long term senior debt of BNP Paribas is rated (A) by Standard & Poor’s and (A1) by Moody’s.

Liquidity risk
The Company has significant liquidity risk exposure. To mitigate this exposure, the Company entered into netting agreements with its parent company and other group companies.

RELATED PARTY TRANSACTIONS

The Company has entered into various agreements with its parent company and other group companies relating to the issuing of securities, the hedging of the related exposures and the reimbursement of costs. Taking into account the position of the Company within the group these agreements are at arms-length and have as objective to limit cash flow, credit and market risks.

NOTES TO THE BALANCE SHEET

1. Financial fixed assets
For all most all issued securities OTC contracts with BNP Paribas group companies are agreed having the same characteristics as the issued securities. This means that the underlying quantity, issue price, strike, parity, maturity and quoted price for exercise are identical. Concerning two issued securities the Company entered into repurchase agreements with BNP Paribas.
Refer to note 3 for the details of the issued securities and hence the OTC contracts.

2. Shareholder's equity
Share capital:
The Company's authorised share capital amounts to EUR 225,000 (225,000 common shares of EUR 1 each), of which 45,379 shares are issued and fully paid-up.

During the financial year under review, there have been no changes in the authorised, issued or paid up capital.

Retained earnings:
The movement is as follows:

	EUR	EUR
	30.06.2016	31.12.2015
Opening balance	399,827	370,784
Appropriation result previous year	19,786	29,043
Closing balance	419,613	399,827

3. Issued securities
The Company establishes securities programmes and issues securities such as warrants, notes and certificates exercisable pursuant to the terms and conditions of such securities programmes. Entities of the BNP Paribas group have agreed to purchase the securities at the same time. The entities of the BNP Paribas group distribute the securities to third parties. BNP Paribas S.A. acts as guarantor for the securities programmes towards the third parties.

The issued securities and related OTC contracts can be specified as follows:

Comparison market value to nominal value:

30.06.2016	Fair value	Nominal value
	EUR	EUR
- Up to 1 year	17,302,593,789	19,062,521,172
- From 1- 5 years	19,648,044,644	22,700,462,175
- Exceeding 5 years	12,561,513,405	12,041,022,904
Total as per June 30, 2016	49,512,151,838	53,804,006,251

31.12.2015	Fair value	Nominal value
	EUR	EUR
- Up to 1 year	12,802,271,892	14,226,023,016
- From 1- 5 years	17,234,733,656	19,128,380,188
- Exceeding 5 years	13,003,790,678	12,420,657,770
Total as per December 31, 2015	43,040,796,226	45,775,060,974

Specification (fair value) based on method of valuation

30.06.2016	Level 1	Level 2	Level 3	Total
	EUR	EUR	EUR	EUR
Warrants				
underlying shares	0	889,699,706	766,091,533	1,655,791,239
underlying indices	0	963,889,164	549,212,035	1,513,101,199
underlying currencies	0	16,018,746	12,100,623	28,119,369
underlying commodities	0	33,923,490	0	33,923,490
underlying funds	0	10,635	278,508	289,143
underlying credits	0	641,043	0	641,043
underlying interest rates	0	17,538	0	17,538
	0	1,904,200,322	1,327,682,699	3,231,883,021
Certificates				
underlying shares	0	4,760,453,432	798,297,622	5,558,751,054
underlying indices	0	17,938,927,189	6,133,238,471	24,072,165,660
underlying currencies	0	224,533,368	36,531,618	261,064,986
underlying commodities	0	746,881,868	122,408,973	869,290,841
underlying funds	0	21,966,340	343,088,765	365,055,105
underlying credits	0	9,576,179,787	0	9,576,179,787
underlying interest rates	0	601,182,751	0	601,182,751
	0	33,870,124,735	7,433,565,449	41,303,690,184
MTN’s				
underlying shares	0	203,901,563	34,724,837	238,626,400
underlying indices	0	3,506,165,183	1,151,564,524	4,657,729,707
underlying currencies	0	7,789,639	0	7,789,639
underlying credits	0	27,531,577	0	27,531,577
underlying interest rates	0	44,901,310	0	44,901,310
	0	3,790,289,272	1,186,289,361	4,976,578,633
Total per 30 June 2016	0	39,564,614,329	9,947,537,509	49,512,151,838

31.12.2015	**Level 1** EUR	**Level 2** EUR	**Level 3** EUR	**Total** EUR
Warrants				
underlying shares	0	1,006,187,797	1,006,525,267	2,012,713,064
underlying indices	0	764,985,498	546,967,763	1,311,953,261
underlying currencies	0	16,784,950	2,470,694	19,255,644
underlying commodities	0	36,889,419	68	36,889,487
underlying funds	0	120,512	326,536	447,048
underlying credits	0	970,922	0	970,922
underlying interest rates	0	135,126	0	135,126
	0	1,826,074,224	1,556,290,328	3,382,364,552
Certificates				
underlying shares	0	4,862,208,289	956,346,755	5,818,555,044
underlying indices	0	17,320,580,396	7,267,732,416	24,588,312,812
underlying currencies	0	458,547,696	41,906,761	500,454,457
underlying commodities	0	606,955,662	161,114,014	768,069,676
underlying funds	0	20,195,799	371,987,732	392,183,531
underlying credits	0	2,616,031,768	0	2,616,031,768
underlying interest rates	0	459,757,403	0	459,757,403
	0	26,344,277,013	8,799,087,678	35,143,364,691
MTN’s				
underlying shares	0	82,321,363	3,809,019	86,130,382
underlying indices	0	3,226,086,772	1,202,849,829	4,428,936,601
	0	3,308,408,135	1,206,658,848	4,515,066,983
Total per 31 December 2015	0	31,478,759,371	11,562,036,855	43,040,796,226

BNP Paribas group including the Company 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 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. All given estimated fair values are related to the market conditions prevailing at the end of the reporting period; the future values may differ.

When issued, securities are publicly offered or privately placed. Sometimes privately placed securities are listed for the secondary market. Listed securities are listed on stock exchanges in- and outside of the European Union; the related OTC contracts are not listed. The majority of the issued securities are not traded actively in active markets.

No accrued interest is presented in the balance sheet because the accrued interest is part of the market value of the derivatives as disclosed in the balance sheet. The net result on the derivatives equals zero and is recorded on a net basis in the profit and loss account, see note 4.

Conditions that can influence the future cash flow
In general it is assumed that the securities and the related OTC contracts are exercised at the exercise dates mentioned in the final terms of the securities against the fair value as determined. Based on these two assumptions the above specification based on maturity has been prepared. Netting agreements between the Company and entities of the BNP Paribas group have been drawn up for all flows resulting from securities and OTC contracts to avoid that payments have to be made for these flows. Conditions that could influence future cash flows will have therefore no impact on the cash flow of the Company.

NOTES TO THE PROFIT & LOSS ACCOUNT

4. Net result financial instruments
The net result derivatives includes capital gains and losses, currency results, interest income and expense and changes in fair value on the issued securities and related OTC contracts. As the Company enters into an OTC option or swap agreement with a BNP Paribas group company at each issue of securities at exactly the same terms and conditions of the issued security, there is a complete hedge of the economic risk of the Company. Therefore, the net result on the derivatives equals zero and is recorded on a net basis.

5. Fee income and other income
Other income concerns recharged general and administrative expenses of the Company increased with an up-count of 10%, based on cost plus agreements concluded for an indefinite period of time. These costs have been or will be invoiced to BNP Paribas group companies.

6. Corporate income tax
The corporate income tax is the estimated charge for the period amounting to EUR 3,127. The rates for the financial year 2016 are 20% and 25%. The effective rate for the period is 20%.

Issuing expenses and remunerations
Issuing expenses are expenses related to the issuing of the securities for account of the Company and are reimbursed by BNP Paribas group companies, if charged to the Company.

The director of the Company will charge a management fee of EUR 30,000 over the reporting period (over the first six months of 2015: EUR 31,092).

A fee of EUR 20,000 will be charged by Mazars Paardekooper Hoffman Accountants N.V. to the Company for the financial year 2016 as audit fee (2015: 20,000 EUR). No additional amount has been charged to the Company during the reporting period for audit-related fees (2015: EUR 13,750).

Commitments, contingencies and off-balance items
The Company has issued securities with pledged collateral. The value of the pledged collateral amounts to EUR 912,123,959 (2015: EUR: 505,000,207).

Employees
The Company employs no personnel.

Amsterdam, 15 September 2016
The Managing Director,

Signed by
BNP Paribas Finance B.V.

PARTIES

OUR REGISTERED OFFICE
Herengracht 595
1017 CE Amsterdam
The Netherlands

THE GUARANTOR'S REGISTERED OFFICE
16, Boulevard des Italiens
75009 Paris
France

Place of Business in Hong Kong
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central
Hong Kong

SPONSOR

BNP Paribas Securities (Asia) Limited
59th-63rd Floors
Two International Finance Centre
8 Finance Street
Central
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

King & Wood Mallesons
13/F
Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITORS TO THE GUARANTOR

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
France

Mazars
61, rue Henri Regnault
92400 Courbevoie
France

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