Annual Report 2017

ANNUAL REPORT 2017
BNP PARIBAS (SUISSE) SA

BNP PARIBAS

The bank
for a changing
world

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BNP Paribas (Suisse) SA

Summary

Message from Jean Clamon, Chairman of the Board of Directors and Geoffroy Bazin, Chief Executive Officer.

Two-voice Interview

Can you sum up 2017 for us in three points?

Jean Clamon: a turnaround in the top-line performance of our business lines, organisation-wide innovation, and a focus on employee well-being.

Last year, you unveiled Swiss Forward, the development plan for BNP Paribas in Switzerland out to 2020. How would you describe the first year of its implementation?

Geoffroy Bazin: 2017 was indeed the first year of our Swiss Forward plan, which covers the period to 2020.

It was a successful year, in which we amply met the objectives we set ourselves in both commercial banking and private banking. We reaped the benefits of our strategy, especially its emphasis on innovation and accountability.

Can you tell us briefly about the expansion in your business with corporate, institutions and private clients?

Geoffroy Bazin: Our commercial results have lived up to our expectations across all our client segments.

In Wealth Management, we exceeded CHF 2 billion in net new cash and continued to boost our outstanding loans to our private clients. In Specialised Trade Solutions, our finance volumes with our specialised commodities clients started growing again. We won several new mandates from the Group's European clients covering their commodity purchases. We are expanding successfully in the mid-caps segment of the Swiss corporate market, winning business with around 20 new companies. Lastly, we supported institutional and corporate clients in the international CHF market, with close to CHF 1 billion in bond issues. That puts BNP Paribas in third place in the Swiss rankings for this market in 2017.

You have put the digital transformation at the heart of your strategy. Can you give us some details of the concrete measures you have already taken?

Geoffroy Bazin: The digital transformation was a key focus for us in 2017.

In Wealth Management, My Advisory gave our private clients a tool they can fully access on their mobile. In commodities, our My Collat digital solution built on blockchain technology can be used to manage the collateral required for the commodities trading value chain, in conjunction with the parties to these transactions. At Colibri, our internal incubator, we developed a solution digitising the end-to-end processing of commodities letters of credit under the Triskel project. Last, but not least, there's our exciting co-innovation project with Dufry under the WAI Boost programme, which enables corporate clients to reap the benefit of our expertise and our agile methodologies to work with fintechs on a co-design basis. We helped to bring Dufry together with startups to help it enrich and develop its sales model with optimised payment solutions for its customers in duty free airport stores.

There's been a great deal of talk about BNP Paribas' responsible commitment to greener financing. Can you tell us what this means in practice?

Geoffroy Bazin: Two very telling examples encapsulate our approach in 2017.
We were the first bank in the Swiss market to arrange a Green Bond – for Helvetia Environnement. The deal was a great success – it attracted significant demand and was oversubscribed by investors.
We are also very proud of our partnership with Bertrand Piccard's Solar Impulse Foundation, which aims to certify 1,000 technology solutions for the energy transition. Sixty of our employees volunteered, and they will provide their experience and expertise in financial security risk management.

What are the biggest challenges facing BNP Paribas in Switzerland in 2018?

Jean Clamon: We need to address several challenges under our 2020 plan. Firstly, we will press ahead with commercial expansion by stepping up our efforts to win business with corporate clients in the Swiss market and with private clients, especially in German-speaking regions of the country. We are also continuing our research and development efforts in Open Innovation mode. This includes our responsible engagement to support the energy transition, with the commodities financing business line. We are also going to invest more in cybersecurity to keep our IT risks under control. And developing the potential of our employees is another of our top priorities. To do so, we will be focusing on establishing a collaborative culture, building customer satisfaction and honing our expertise.

Do you have any final thoughts on 2017 you would like to share with us?

Jean Clamon and Geoffroy Bazin: We are proud of the successes we achieved together throughout 2017. And we would like to thank our employees, our partners and all our clients. In 2018, as a responsible and engaged bank, we are going to build further on our commercial gains across all our client segments, while maintaining a highly effective level of security, so that we are truly seen as the European bank of reference in the Swiss market.

Governance


& Strategy

The Board of Directors is responsible for overseeing the company's main objectives.
It has three general powers:

1. Assessing the company's strategic decisions
2. Participating in the smooth running of the company
3. Controlling and monitoring all transactions linked to the activities of BNP Paribas in Switzerland.

The Board is made up of 10 directors for whom the mandatory term of office is three years.

The Board of Directors for BNP Paribas (Suisse) S.A. is composed as follows:

Jean CLAMON
Chairman of the Board of Directors
Chairman of the Financial Risks Committee
Member of the Compensations Committee
French, born on 10th September 1952

Engineer who earned his diploma from Ecole Centrale de Paris, Jean Clamon joined BNP Paribas Group in 1976. His last position, which he held from 2008 to 2015, was Head of Internal Auditing and Conformity.

Sources of inspiration

- Winston Churchill, former Prime Minister of United Kingdom
- Charles de Gaulle, former French President
- Konrad Adenauer, former First Chancellor of the Federal Republic of Germany
- Simone Veil, French politician

Christian BOVET *
Vice-chairman of the Board of Directors
Vice-chairman of the Financial Risks Committee
Chairman of the Audit Committee
Member of the Compensations Committee
Swiss, born on 24th April 1959

After studying law at the University of Fribourg and at the Columbia University School of Law, Christian Bovet practiced as an associate lawyer, then as a professor of law. He joined the Federal Commission of Communication (ComCom) in 1999 and served until 2011. In 2014, he joined the BNP Paribas (Suisse) SA Board of Directors.

Notable accomplishments
- Dean of the Faculty of Law at the University of Geneva from 2007 to 2012.
- Member of the management board for the Centre of Banking and Financial Law of the Faculty of Law at the University of Geneva
- Visiting professor at the Universities of Lausanne, Aix-Marseille, Renmin University of China (Beijing) and Grenoble, as well as at the Max Planck Institute in Munich
- Editor of the publication "Finanzmarktaufsicht / Monitoring financial markets" (Helbing Lichtenhahn) and co-editor of the Western Swiss Treatise on competition law (Helbing Lichtenhahn) and of a collection of papers on Swiss and European competition law, with electronic application (Weblaw)

Further implications
- Member of the Board and the Office of the Foundation for Medical Research (Geneva) Member of the Scientific Committee for the "Concurrences" review

Herbert BOLLIGER *
Director
Member of the Audit Committee
Swiss, born on 23rd November 1953

A graduate of the University of Munich and the Controller Academy of Munich, Herbert BOLLIGER joined the BAYER (Suisse) SA group from 1980 to 1983 before joining the MIGROS group. He held the position of Managing Director for the Migros Federation of Cooperatives from 2005 through to December 2017.

Further implications
- Member of the Board for the "Cerebral" Foundation
- Member of the executive committee for the Marketing Institute of the University of Saint-Gall
- Member of the Honorary Committee for the Forum Europe Lucerne

Sources of inspiration
- Gottlieb Duttwiller, founder of MIGROS
- Bill Gates, founder of MICROSOFT
- Bruce Springsteen, musician

** Director fulfilling the criteria of independance according to FINMA 2008/24*

Sylvie DAVID-CHINO
Director
Member of the Audit Committee
French

Graduated from the "Institut d'Etudes Politiques de Paris", from Paris I Law University and owner of a CPA-HEX MBA, Sylvie DAVID-CHINO occupied various positions within the corporate banking, international finance and international Private Banking at BNP Paribas.

Sources of inspiration

- Simone VEIL, French politician
- Sakamoto RYOMA, Japanese politician

Jacques D'ESTAIS
Director
Member of the Financial Risks Committee
Vice-chairman of the Audit Committee
Member of the Compensations Committee
French, born on 30th October 1959

After graduating from the ESSEC Business School, Jacques D'ESTAIS joined the BNP Paribas group in 1983. After having occupied several different positions, he joined the general management team of Investment Solutions, International Retail Banking and Personal Finance in December 2011. Since April 2015, Jacques D'Estais has been Deputy Managing Director in charge of International Financial Services at BNP Paribas.

Christophe R. GAUTIER *
Director
Member of the Compensations Committee
Swiss, born on 2nd April 1947

A graduate of the University of Saint-Gall, Stanford Business School and Harvard, Christophe R. Gautier joined the family business, DKSH Holding Ltd. Today, he's Chairman of the Board at Wolfgang Weber-Thedy AG, as well as an independent investor.

Notable accomplishments

"The three great figures of the last century who, through the force of their beliefs, changed the course of their countries and the world." Christophe R. Gautier

- Mahatma Gandhi, Indian politician
- Winston Churchill, former Prime Minister of the United Kingdom
- Nelson Mandela, former President of the Republic of South Africa

Ulrich GYGI *
Director
Member of the Financial Risks Committee
Member of the Audit Committee
Swiss, born on 6th December 1946

After a bachelor's degree and PhD in Economics from the University of Bern, Ulrich Gygi joined the Administration of Federal Finance (AFF) of the Swiss Confederation in 1979. He became Director of the AFF in 1989, then CEO of the Swiss Post from 2000 to 2009. In 2009, he joined the Swiss Federal Railway (CFF) as Chairman of the Board until June 2016.

Sources of inspiration
- Men and women who have the courage to speak out against the tyrants of their homelands.

Yannick JUNG
Director
Member of the Financial Risks Committee
Member of the Compensation Committee
French, born on 15th July 1972

Following studies at the École Supérieure de Commerce de Paris (ESCP) and Washington University, Yannick Jung joined the BNP Group in 1997. He then became part of the management team of the Corporate and Institutional Banking branch in 2007. He has been Head of Global Banking EMEA since December 2017.

Sources of inspiration
- Nelson Mandela, former president of South Africa

Vincent LECOMTE
Director
French, born on 30th June 1964

Graduated from ESCP Europe (Paris), Vincent LECOMTE joined in 1992 BNP Paribas. He joined BNP Paribas Wealth Management in 2010 as Chief Operating Officer. Since 2011, he is co-Chief Executive Officer with Sofia Merlo.

** Director fulfilling the criteria of independance according to FINMA 2008/24*

Marina MASONI *
Director
Member of the Audit Committee
Swiss, born on 25th July 1958

After a law degree at the University of Zurich, followed by a lawyer and a notary licence, Marina Masoni joined the law offices of Masoni-Fontana in Lugano. She has been MP of the Great Council, then State Counsellor, Minister of Finance and Economy for the Canton of Tessin. In 1998, 2000 and 2005, Marina Masoni was President of the cantonal government. In 2007, she joined the general management team for Wegelin & Co. in Saint-Gall, then became director of the Lugano branch from 2008 to 2010. Since 2010, she has been a consultant at the law offices of Masoni-Fontana.

Further implications
Executive Boards
- Fondazione Teatro dell'Architettura (Mendrisio), Vice-chairwoman of the Foundation's Board
- Magazzini Generali con Punto Franco SA (Chiasso), Chairwoman of the Board of Directors
- Stiftung für MeinungsFreiheit und MedienVielfalt (Bern), Chairwoman of the Foundation's Board

Professional organisations
- Ticinomoda, Associazione fabbricanti e operatori ramo abbigliamento del Cantone Ticino (Lugano), Chairwoman
- Chamber of Commerce, Canton of Ticino, Member of the Board

Sources of inspiration
- Alexis de Tocqueville, philosopher
- Friedrich A. von Hayek, economist

** Director fulfilling the criteria of independance according to FINMA 2008/24*

The General Management at BNP Paribas in Switzerland supports the Swiss subsidiary in developing and making strategic, innovative and sustainable decisions.

General Management at BNP Paribas in Switzerland provides strategic support for sustainable innovation

BNP Paribas in Switzerland's General Management is composed as follows:

Geoffroy BAZIN
Chief Executive Officer, BNP Paribas in Switzerland
French, born on 21st May 1963

Graduate of the Paris Dauphine University and the "Institut des Techniques de Marché" (ITM), Geoffroy BAZIN joined the BNP Paribas Group in 1988. He successively held different positions within the banking organisation department, the internal audit and then as Director of Capital Market operations. In 2003, he became Head of BNP Paribas Securities Services in Luxembourg. He came to Switzerland in 2013 as Chief Executive Officer of the Swiss subsidiary.

Further implications
- Chairman of the BNP Paribas Swiss Foundation
- AFBS (Association of Foreign Banks in Switzerland) Board member
- CCIFS (French-Swiss Chamber of Commerce and Industry) Board member
- ISFB (Institute for Studies in Finance & Banking) Board member
- Board member of the Pour un Sourire d'Enfant (PSE) children's charity

Sources of inspiration
- Christian and Marie-France des Pallières, founders of the "Pour un Sourire d'enfant "
- Éric Tabarly, French yachtsman

Patrick VOEGELI
Chief Executive Officer, Corporate & Institutional Banking in Switzerland
Swiss, born on 24th November 1962

Following an internship and Federal Certificate of Qualification in Business at UBS, Patrick VOEGELI held different positions on the trading floor at Unigestion and Chemical Bank. In 1991, he joined BNP Paribas in Switzerland and became Head of Trading within the financial department. Since 2010, he's held the position of CEO for Corporate & Institutional Banking in Switzerland.

Further implications

- Member of SIX (Swiss Exchange) Regulatory Board

Sources of inspiration

- Roger Federer, Swiss tennis player
  "His exemplary nature, his modesty, his perseverance, his determination to constantly improve his performance" Patrick VOEGELI

Hubert MUSSEAU
Chief Executive Officer, BNP Paribas Wealth Management in Switzerland
French, born on 17th June 1971

With a Master's degree in Economy and Econometrics from Panthéon Assas – Paris II University and from EM Lyon, Hubert MUSSEAU joined the BNP Paribas Group in 1996. He held positions in Corporate & Institutional Banking, Internal Audit and then he joined the Wealth Management business-line in 2005. He's been the CEO of BNP Paribas Wealth Management in Switzerland since April 2017.

Sources of inspiration

- Joseph Kessel, adventurer, journalist and novelist
- Winston Churchill, former Prime Minister of the United Kingdom

Maria-Antonella BINO
General Counsel
Head of Transversal Risk Monitoring and Legal
Swiss, born on 17th November 1966

Maria-Antonella BINO, Doctor of Law from the University of Geneva, joined BNP Paribas in Switzerland in 2013 as Head of Conformity, Legal Affairs and Permanent Control. Former deputy Federal First Investigating Judge and former deputy Public Prosecutor, she now holds the position of General Counsel and Head of Transversal Risk Monitoring. She has also been a member of the Board of Directors and the Audit Committee in Switzerland since 2016.

Sources of inspiration

- « The secret of wisdom, power and knowledge is humility.» Ernest Hemingway
- Alberto Moravia, writer
- Margaret Thatcher, former Prime Minister of the United Kingdom
- Sergio Marchionne, Managing Director of the Fiat Group

Igor JOLY
Head of Human Resources
Swiss, born on 10th April 1959

After a degree in work psychology from the University of Neuchâtel and training in financial and business management at HEC Lausanne, Igor JOLY joined BNP Paribas in Switzerland in 1986. He held several management roles within the Human Resources department. In 1999, he was appointed Head of Human Resources for Switzerland, then in 2012, Chief Administrative Officer. He held this position until the end of 2017. Since January 2018, Igor Joly has held the position of Director of the Corporate Social Responsibility department of BNP Paribas in Switzerland.

Further implications
- Chairman of the Pensions Committee for BNP Paribas (Suisse) SA
- Chairman of the Circle of Banking HR Directors in Geneva (until the end of 2017)
- Member of Friends of MAMCO Geneva
- Member of the French Club 41
- Active and personal support of an orphanage in Beirut / Lebanon

Sources of inspiration
- Charles de Gaulle, former President of the French Republic
- Pablo Picasso, painter
- Sigmund Freud, psychoanalyst

Kim-Andrée POTVIN
Chief Operating Officer
Canadian and French, born on 5th June 1975

Graduate of Sherbrooke and McGill University, Kim-Andrée Potvin joined the BNP Paribas Group after working for two years with the Consulting Firm Accenture. After holding various positions in Paris and Luxembourg, she joined the Swiss subsidiary in 2014 as Chief Operating Officer.

Further implications
- Member of IMBC – International Monetary and Banking Centre
- Member of the Enterprise network in French-speaking Switzerland
- Member of the “Nomade” Foundation Steering Committee

The strategy of BNP Paribas in Switzerland is built on four pillars: Intergration, Innovation, Responsability and Security.

The leading European bank in Switzerland

STRATEGY

In the framework of our 2020 Swiss Forward Plan, our development programme in Switzerland, we make a priority to focus our efforts to serve our clients always more efficiently.

2017 has been particularly dedicated to Innovation and Responsability to provide a customized offering to our clients, but also to contribute to a sustainable and socially responsible growth.

Our strategy achieves our ambition to become the European bank of reference in the Swiss market.

Key fi

gures

The BNP Paribas (Suisse) Group generated CHF 66 million in consolidated net profit on 2017 revenues of over CHF 500 million.

Key figures

BALANCE SHEET

in CHF millions

TOTAL ASSETS
19'719

CUSTOMERS DEPOSITS
8'897

LOANS & ADVANCES TO CUSTOMERS
8'413

EQUITY
1'903

RATIOS

in CHF millions

SOLVABILITY RATIO
14.30%

LEVERAGE RATIO
7.16%

LCR LIQUIDY RATIO
119.83%

PROFIT & LOSS
in CHF millions

NET PROFIT BEFORE TAXES
74

NET PROFIT
66

BANKING INCOME
506

NET PROFIT
65
EXCLUDING EXTRAORDINARY INCOME

GROSS PROFIT
43

ASSETS UNDER MANAGEMENT
in CHF millions

28'036

The BNP Paribas (Suisse) Group has a healthy balance sheet, with total assets of just under CHF 20 billion, CHF 8.9 billion in client deposits – almost on a par with its outstanding customer loans – and CHF 1.9 billion in equity. Its various ratios comfortably exceed the minimum regulatory requirements (solvency ratio under Basel III, after factoring in additional capital requirements, of 14.30% vs. 12%, leverage ratio of 7.2% vs. 3% and LCR of 119.8% vs. 80%).

The BNP Paribas (Suisse) Group's customer assets rose to CHF 28 billion, up 5.8% from their year-end 2016 level.

Management report

Economic environment and market trends

The global economy gained pace in 2017, with GDP growth accelerating to 3.7% from 3.1% in 2016. This pick-up, at a clip not seen since 2010, was recorded across industrialised countries, emerging markets and developing countries. Inflation remained subdued even though crude oil prices firmed up to $60 by year-end 2017 from around $42 in June, as a result of the OPEC agreement to curb production and geopolitical tensions in the Middle East.

The year began in spectacular fashion in the financial markets, continuing the rally that got underway shortly after the US presidential elections. In just two months, global equities advanced by 5.4% (MSCI (Morgan Stanley Capital International) AC World index in dollars) and emerging equities climbed 8.6% (MSCI Emerging index in dollars). Gains then became harder to come by as questions started to arise about the incoming US President's ability to see his reform programme through to fruition. Even though the uptrend lost some of its momentum, it kept going, gaining pace after the first round of the presidential election in France. Over the summer, the only real worry for equities came from the geopolitical situation, with investors concerned about the escalating war of words between Pyongyang and Washington after further nuclear and missile tests by North Korea. The pause was short-lived, and the rally resumed, gaining strength towards the end of the year when it became clear that the tax cuts promised by the Trump administration would at last be passed. Over 2017 as a whole, international equities put on 21.6% (MSCI All Countries index) and emerging markets 34.4% (MSCI Emerging index). An analysis of the gains in the leading industrialised markets shows that the S&P 500 index powered 19.4% ahead, regularly setting new record highs, while the Nikkei 225 index soared 19.1%, returning to its highest level since the beginning of 1992 in December. The EuroStoxx 50 index climbed just 6.5%, as it was held back by euro appreciation (up 13.7% against the US dollar).

The US Federal Reserve hiked its rates by 25 basis points three times in 2017 – in March, June and December – while the European Central Bank left its rates unchanged. The yield on 10-year US Treasuries went from 2.44% at year-end 2016 to 2.41% at year-end 2017. 10-year Bund yields ended 2017 at 0.43%, 22 basis points higher than at year-end 2016, as economic news, movements in US long-term rates, questions about the ECB's plans and political factors all influenced trends during the year.

Currency trading in late 2016 was dominated by the abrupt appreciation in the US dollar in the aftermath of Donald Trump's surprise November 2016 election victory. The greenback gave up ground during 2017 against most currencies despite the increase in short-term rates. Conversely, the euro powered ahead after the presidential elections in France, as well as the brighter economic outlook for the euro zone and announcements that the ECB's monetary policy would revert to normal. The EUR/USD went from 1.04 at the beginning of 2017 back above the 1.20 mark by the end of the year. Overall, the euro strengthened by 13.7% against the US dollar. The Swiss franc also carved out gains against the US dollar before slipping back late on to end December 2017 at 0.97, down from 1.02 at the beginning of the year. The Swiss currency slid significantly lower against the euro, dropping back from 1.07 at the beginning of the year to 1.17 by the end of December 2017. This 9.1% fall reflected the reduced political and economic risks in the euro zone, undermining its status as a safe haven that had been extremely detrimental to businesses exporting goods and services. After taking a hefty tumble in the aftermath of the June 2016 Brexit referendum, sterling rebounded in 2017 on the hike in the Bank of England's benchmark rates and hopes of a Brexit deal with the European Union.

BNP Paribas Group

The BNP Paribas Group made a good start on its 2020 plan during 2017. In a lacklustre interest-rate and market environment, the Group's business went from strength to strength, supported by progressively firmer growth in Europe.

Revenues totalled EUR 43.2 billion, down 0.6% on 2016. Adjusted for non-recurring items, revenues rose 0.5%. The Group's operating expenses increased to EUR 29.9 billion, up 1.9% compared with 2016. Its cost of risk sank again, dropping 10.9% to EUR 2.9 billion, representing 39 basis points of outstanding customer loans. This low level reflected tight risk control at the loan origination stage, the low interest rate environment and the continuing improvement in Italy thanks to the shift to refocus on stronger corporate clients. Net income attributable to equity holders came to EUR 7.8 billion, up 0.7% from 2016.

The BNP Paribas Group's balance sheet is very strong. Its fully loaded Basel 3 Common Equity Tier 1 ratio stood at 11.8% at 31 December 2017 (11.5% at 31 December 2016). The fully loaded Basel 3 leverage ratio was 4.6%. The Liquidity Coverage Ratio was 121% at 31 December 2017.

BNP Paribas (Suisse) SA

BNP Paribas (Suisse) SA is 99.99%-owned by BNP Paribas SA, Paris. It operates in all corporate and investment banking businesses and in wealth management with all the necessary support functions.

In Corporate and Investment Banking (CIB), the BNP Paribas (Suisse) SA Group's activities encompass specialised financing particularly commodities financing, primary market issuance and placement, and proprietary trading in the foreign exchange, fixed-income and equity derivatives markets.

Wealth Management focuses on Swiss and international clients with substantial assets, providing personalised services such as investment advice, discretionary management, tax and wealth planning.

BNP Paribas (Suisse) SA is in charge of cash management for all banking businesses and entities in its scope of consolidation. The Bank also provides an information systems hub and back office services for some of the BNP Paribas Group's Swiss and foreign entities. Conversely, it outsources a number of activities to BNP Paribas Group units, including IT developments, supplier invoice processing, back office activities for bond trading, equity derivatives, part of its Wealth Management client securities back office activities, and the Swift payment traffic platform, message filtering and monitoring.

BNP Paribas (Suisse) SA has branches in Basel, Lugano, Zurich and Guernsey, as well as Wealth Management subsidiaries in Monaco and the United Arab Emirates.

BNP Paribas (Suisse) SA's 2017 consolidated financial statements show an increase in outstanding customer loans and assets under management, while its deposits declined as a result of the negative interest rates on the euro and Swiss franc and the more attractive returns to be had in the equity markets.

Consolidated financial statements

BNP Paribas (Suisse) SA's consolidated financial statements include the financial statements of BNP Paribas (Suisse) SA and its subsidiary BNP Paribas Wealth Management Monaco.

Its total consolidated assets declined CHF 4.2 billion to CHF 19.7 billion at 31 December 2017. This decrease was predominantly attributable to the ALM Treasury activities in connection with the management of the Bank's liquidity.

On the asset side, its CHF 3.5 billion in cash consisting of deposits with the SNB declined by CHF 2.8 billion, returning to their December 2015 level. Due from banks, chiefly from the BNP Paribas Group, declined CHF 0.3 billion to CHF 2.2 billion. Unlike year-end 2016, when due from securities financing transactions – reflecting reverse repo transactions with institutional clients – came to CHF 0.6 billion, there were no reverse repo transactions at 31 December 2017. While due from customers rose by just 1.3% to CHF 8.4 billion, mortgage loans climbed 18.0% higher to reach CHF 1.7 billion. Trading portfolio assets increased by CHF 0.5 billion to CHF 1.3 billion largely as a result of bond issuance and placement activities. BNP Paribas (Suisse) SA's non-current financial assets dropped back CHF 0.8 billion to CHF 1.8 billion. The decline was attributable to the ALM Treasury activities in connection with management of the Bank's liquidity. Property, plant and equipment fell back to CHF 61.9 million, down CHF 56.2 million from their year-end 2016 level, as a result of the May 2017 sale of an operating property in Geneva.

On the liabilities side, due to banks – mainly to the BNP Paribas Group – stood at CHF 7.7 billion, down CHF 2.8 billion compared with 2016 as a result of management of liquidity and interest-rate risk. Customer deposits fell back CHF 1.2 billion to CHF 8.9 billion, with a CHF 0.7 billion decline in Wealth Management and a CHF 0.5 billion drop in Corporate Banking.

Off-balance sheet items – contingent liabilities, irrevocable commitments and commitments under documentary credits related to commodities financing – amounted to CHF 8.3 billion, down CHF 0.6 billion and down 6.2% compared with at year-end 2016.

In the income statement, banking income declined 3.7% on 2016 to CHF 505.8 million. The CHF 19.2 million decline was due to other ordinary banking income and expense (down CHF 23.2 million or 41.2%) and the result from commission business and services (CHF 8.3 million, down 4.7%), offset partially by the gross result from interest operations (CHF 4.2 million, up 1.78%), positive changes in value adjustments for loan losses and losses arising from interest operations (CHF 5.1 million), and the result on trade transactions and the fair value option (CHF 2.9 million). A large part of the CHF 23.2 million fall in other ordinary banking income (down 41.1%) – CHF 16.1 million – was attributable to the lower revenues received in respect of BNP Paribas (Suisse) SA's contribution to the BNP Paribas Group's global capital markets activities.

Operating expenses fell by 3.8% to CHF 461.7 million compared with 2016. Employee benefits expense was stable at CHF 325.9 million. Other operating expenses dropped back 12.5% to CHF 135.9 million, largely thanks to cost reductions unlocked through the transformation plans for the commodities financing business lines and Wealth Management.

Value adjustments to investments, depreciation of property, plant and equipment and amortisation of intangible assets rose by CHF 1.5 million to CHF 12.8 million. Changes in provisions and other value adjustments, losses totalled CHF 10.6 million compared with CHF 93.3 million in 2016. These figures reflected the CHF 95.6 million reversal of a provision for other operating risks in 2016 and a CHF 12.2 million reversal of provisions for litigation for the Swiss and foreign authorities in 2017.

Non-recurring income amounted to CHF 32.9 million compared with CHF 3.4 million in 2016. A capital gain on the sale of an operating property in Geneva contributed the lion's share of this in 2017.

The BNP Paribas (Suisse) SA Group's consolidated net income stood at CHF 66.3 million in 2017 down from CHF 123.9 million in 2016. Excluding non-recurring items, which had a total impact of CHF 1.3 million in 2017 compared with CHF 51.0 million in 2016, 2017 consolidated net income totalled CHF 65.0 million, down 11.4% from CHF 73.4 million in 2016.

BNP Paribas (Suisse) SA Group's customer assets rose to CHF 28.0 billion at 31 December 2017, up 5.8% from CHF 26.5 billion at year-end 2016. This CHF 1.5 billion rise reflected a CHF 0.6 billion net inflow of capital, CHF 1.5 billion in performance and currency effects and negative CHF 0.7 billion in other effects, including a negative impact of CHF 0.4 billion from leveraged loans and of CHF 0.3 billion from the sale of a non-core WM client portfolio.

Basel III ratios

Under the Basel III capital and risk diversification rules, the Bank uses the advanced internal ratings-based approach (A-IRB) to calculate its capital requirements for credit and counterparty risk in the financing businesses, and the standardised approach for other businesses. The market risk capital requirements are calculated using the standardised approach and those for operational risk using the basic indicator approach.

FINMA Circular 2011/2 "Capital buffer and capital planning – banks", which came into effect on 1 July 2011, classifies financial institutions into five categories based on various criteria, such as total assets, assets under management, privileged deposits and capital requirements, to determine the level of capital buffer required under Pillar 2. Based on these criteria, BNP Paribas (Suisse) SA is classified in Category 3, which implies an additional capital buffer of 50% under Pillar 2, or a minimum capital ratio of 12% (8% under Pillar 1 + 50% of 8% under Pillar 2), consisting of 7.8% in respect of Common Equity Tier 1 (CET 1), 1.8% in respect of Additional Tier 1 (AT1) and 2.4% in respect of Tier 2 capital.

At 31 December 2017, the Bank's solvency ratio under Basel III, after factoring in additional capital requirements, stood at 14.30%, down from 16.39% at 31 December 2016. The consolidated Common Equity Tier 1 (CET1) ratio and the consolidated Tier 1 capital ratio stood at 20.49% at 31 December 2017, compared with 20.40% at 31 December 2016.

The consolidated fully loaded Basel leverage ratio was 7.16% at 31 December 2017, compared with 6.09% at 31 December 2016, ahead of the minimum requirement of 3%.

The consolidated Liquidity Coverage Ratio (LCR) was 119.83% at 31 December 2017 compared with 104.65% at 31 December 2016.

A list of the key regulatory indicators laid down by FINMA in accordance with margin no. 13 of Circular 2016/1 concerning 2017 with comparative figures for 2016 is provided in the appendix.

in thousands of CHF

	31.12.17	31.12.16
Key metrics for regulatory purposes in accordance with margin no. 13 to FINMA Circular 2016/1		
Minimum capital requirements based on risk-weighted assets (CHF)	700 913	702 703
Capital taken into account (CHF)	1 795 275	1 791 666
o/w Common Equity Tier 1 capital (CET1) (CHF)	1 795 275	1 791 666
o/w Tier 1 capital (T1) (CHF)	1 795 275	1 791 666
Risk-weighted assets (RWAs)	8 761 418	8 783 785
CET1 ratio (Common Equity Tier 1 capital as a % of RWA)	20.49%	20.40%
T1 ratio (Tier 1 capital as a % of RWA)	20.49%	20.40%
Total capital ratio (as a % of RWA)	20.49%	20.40%
Countercyclical capital buffer (as a % of RWA)	0.02%	0.02%
Target CET1 ratio (as a %) based on Annex 8 of the CAO, plus the countercyclical buffer	7.82%	7.82%
Target T1 ratio (as a %) based on Annex 8 of the CAO, plus the countercyclical buffer	9.62%	9.62%
Target total capital ratio (as a %) based on Annex 8 of the CAO, plus the countercyclical buffer	12.02%	12.02%
Basel III leverage ratio (Tier 1 capital as a % of total exposures)	7.16%	6.09%
Total exposures (CHF)	25 085 820	29 435 716
Liquidity Coverage Ratio (LCR) (as a %) for the 4th quarter	108.63%	110.80%
LCR numerator: sum of high-quality liquid assets (CHF)	7 757 448	8 383 998
LCR denominator: sum of net cash outflows (CHF)	7 141 303	7 566 494
Liquidity Coverage Ratio (LCR) (as a %) for the 3rd quarter	108.13%	106.62%
LCR numerator: sum of high-quality liquid assets (CHF)	8 420 048	8 020 557
LCR denominator: sum of net cash outflows (CHF)	7 786 691	7 522 465
Liquidity Coverage Ratio (LCR) (as a %) for the 2nd quarter	104.42%	100.66%
LCR numerator: sum of high-quality liquid assets (CHF)	8 397 078	8 288 159
LCR denominator: sum of net cash outflows (CHF)	8 041 348	8 233 822
Liquidity Coverage Ratio (LCR) (as a %) for the 1st quarter	105.62%	103.01%
LCR numerator: sum of high-quality liquid assets (CHF)	8 634 548	6 722 976
LCR denominator: sum of net cash outflows (CHF)	8 175 035	6 526 368

Compensation report

1. Compensation Policy Guidelines

Regulations governing the compensation policy

The BNP Paribas Group applies all the regulatory controls on compensation, as provided for by:

- the CRD4[1] European directive of 26 June 2013, as enacted into French law in the French Monetary and Financial Code,
- the ruling of 20 February 2014,
- the decree and order of 3 November 2014,
- Commission Delegated Regulation (EU) of 4 March 2014 on the criteria for identifying categories of staff whose professional activities have a material impact on an institution's risk profile ("Material Risk Takers", or hereinafter "MRTs") at a consolidated level across all its branches and subsidiaries, including those established outside the European Union,
- the EBA guidelines of 27 June 2016 on sound remuneration policies, as adopted by the ACPR's position statement.

Accordingly, the Bank's compensation policy complies with all these guidelines and is intended not to encourage excessive risk-taking, to avoid incentives potentially giving rise to conflicts of interest and not to trigger or encourage unauthorised investment activities.

The compensation policy of BNP Paribas (Suisse) SA and its consolidated subsidiaries (BNP Paribas Wealth Management Monaco) is in line with the guidelines set by the BNP Paribas Group. Furthermore, its compensation system aims to comply with the provisions of FINMA Circular 10/1 of 21 October 2009 on the minimum standards for remuneration schemes of financial institutions, effective as of 1 January 2011.

Compensation structure

BNP Paribas (Suisse) SA applies the same guidelines on compensation structure and developments as all Group entities, and they are aligned with the risk management objectives. These guidelines meet the Group's risk management objectives and are adjusted to comply with developments in international and/or local regulations, as well as market practices.

Directors' remuneration consists of a fixed component that varies according to the office held (Chairman, Vice-Chairman, Member) plus attendance fees. From 1 January 2018, directors not satisfying the independence requirements laid down in FINMA Circular 2017/1 do not receive any compensation in respect of their duties as a director.

[1] *Capital Requirements Directive*

BNP Paribas (Suisse) SA's employees receive a fixed salary and a performance related component. Each component may represent a different percentage of the total package depending on the business line or function.

More generally and in line with Group practices, BNP Paribas (Suisse) SA's compensation policy is designed to be fair and transparent. These principles are reflected in:

- a single annual compensation review process
- a strict system of delegation operating in accordance with directives issued at Group level
- a governance system based on a Compensation Committee and the involvement of the Board of Directors.

Fixed salary

BNP Paribas (Suisse) SA employees receive a fixed basic salary that reflects their level of qualifications and responsibilities, as well as their skills and involvement in their designated tasks. Where appropriate, they may also receive additional fixed compensation as a reward for the specific demands of their job. Basic salaries are determined by reference to market levels (local and/or business line) in line with a principle of internal consistency.

Performance-related compensation

Performance-related compensation is neither guaranteed nor a contractual right. It is set each year on a discretionary basis in accordance with the pay policy for the relevant year taking into account the Group's financial capacity and governance principles in force.

Variable compensation is determined in such a way as to avoid implementing incentives that may give rise to conflicts of interest between employees and clients, or the failure to comply with the compliance rules.

The compensation structure must provide a sufficient level of fixed salary as a reward for the professional activity involved, with regard to the employee's seniority, expertise and professional experience in the relevant post, so that it is feasible for no performance related component to be paid.

The method for determining the performance related component reflects an assessment of the individual's long-term quantitative and qualitative performance with respect to fixed objectives, an evaluation of each employee's professional conduct with regard to the Group's values, team spirit, compliance rules, Code of Conduct and procedures, and contribution to risk management (including operational risk). Performance appraisals are held to communicate targets and assess how well they have been achieved.

Regardless of any disciplinary measures taken, failure to comply with the applicable rules or procedures or breaches of the compliance rules or the Group's Code of Conduct automatically leads to a reduction in or loss of the performance related component.

Performance related compensation for employees in the support and control functions is determined independently from that of the business lines whose activities they control, in a fully objective manner and free from any conflicts of interest.

Employees whose professional activities have a significant impact on the Group's risk profile ("Material Risk Takers" or "MRTs")

For MRTs, variable compensation includes a non-deferred portion and a deferred portion. The deferred portion is directly proportional to the size of the variable compensation, based on a fixed scale set every year by Senior Management. It varies between 40% and 60% at least, for the highest levels of variable compensation.

As required by the regulations, half of (deferred and non-deferred) performance related compensation is paid in cash and half in cash indexed to the price of BNP Paribas shares after a retention period of 6 months.

The share indexation aligns the interests of beneficiaries with those of shareholders, instilling a sense of solidarity with the Bank's overall results.

The deferred portion vests in instalments over a period of at least three years following the year of award, provided that the business line's, division's and Group's financial performance targets are achieved, and the behavioural conditions set at the time of the award are met.

Loyalty plans

In addition, variable compensation may also consist in a loyalty or medium- to long-term compensation plan, or indeed any other appropriate instrument for rewarding and enhancing the loyalty of the Group's key and high-potential employees, by giving them an incentive reflecting the growth in the value created.

For MRTs, this loyalty plan is deferred in its entirety for over 3 years and is structured as a debt-like instrument, with payouts contingent upon no resolution measure being taken by the regulator and a Group Common Equity Tier 1 ratio of over 7% being maintained.

In thousand of CHF

	2017 Plans	2016 Plans
Amount awarded	1 165	1 232
Number of beneficiaries	107	112

Information about compensation paid by BNP Paribas (Suisse) SA is provided in the table below in accordance with principle no. 9 of FINMA Circular 10/1.

in thousands of CHF

Disclosure of compensation for the current year	31.12.17 (1)	31.12.16 (1)
Total compensation (2)	232 627	238 212
Number of beneficiaries (average)	*1 390*	*1 425*
Of which performance-related compensation (3)	33 576	33 159
Of which deferred compensation due (4)	1 652	1 718
Number of beneficiaries	*23*	*21*
Deferred compensation still due (5)	**3 518**	**3 170**
Debits and credits made during the year relating to prior years	**1 200**	**1 667**
"Benefits paid to the Board of Directors, Senior Management and employees whose activity has a significant impact on the firm's risk profile ("Material Risk Takers" or "MRTs")"		
Sign-on payments	0	0
Number of beneficiaries	*0*	*0*
Severance payments	0	0
Number of beneficiaries	*0*	*0*

(1) Data on a consolidated basis. Compensation figures are presented before restructuring costs.
(2) Total compensation is paid in cash and includes fixed and performance-related compensation, overtime, long-service awards and retirement bonuses.
(3) Performance related compensation comprises awards in respect of the year and sign-on and severance payments made during the year.
(4) Deferred compensation due is paid in cash over a period of three years and partially indexed to the BNP Paribas share price.
(5) Deferred compensation still due represents the balance to be paid in respect of deferred plans for the previous three years.

2. Governance

The Board of Directors defines the framework and key guidelines of the compensation policy. To this end, it has set up a Compensation Committee to approve the compensation policy and proposals submitted for its consideration.

The Board of Directives ensures that the compensation systems comply at all times with the BNP Paribas Group's directives and the applicable Swiss banking regulations, drawing on the work of the Compensation Committee.

The Compensation Committee's key responsibilities are to:

- Approve any changes to the compensation strategy and policy applicable generally and/or by business line/function.
- Ensure that the compensation systems do not encourage employees to behave in a manner conflicting with the risk management policy.
- Ensure that compensation policies are competitive compared with the market.
- Ensure that the principles of non-discrimination are observed.
- Approve the proposals drawn up by Senior Management and the Human Resources division concerning pay increases and awards of variable compensation, generally and/or by business line/function, as well as ensuring they are applied.

Senior Management makes proposals to the Compensation Committee in line with the applicable regulations and policies.

As part of its audit plan, the Internal Audit department conducts an ex-post review and verifies that BNP Paribas (Suisse) SA's compensation policies are implemented in accordance with both internal directives and local and international regulations.

Consolidated financial statements at 31 December 2017

Consolidated balance sheet at 31 December 2017

in CHF / with prior-year comparative data

Assets	**31.12.17**	**31.12.16**
Cash and cash equivalents	3 507 718 756	6 282 027 143
Due from banks	2 173 852 098	2 530 186 096
Reverse repurchase agreements	-	623 000 000
Loans and advances to customers	8 412 863 823	8 305 740 679
Mortgage loans	1 703 132 812	1 443 187 287
Trading portfolio assets	1 325 938 855	858 492 909
Positive mark-to-market values of derivative financial instruments	271 117 730	517 643 797
Financial investments	1 821 046 508	2 604 629 746
Accrued income and prepaid expenses	114 052 127	138 125 880
Non-consolidated holdings	2 232 789	4 493 061
Tangible fixed assets	61 948 584	118 134 009
Intangible assets	5 775 898	4 873 950
Other assets	319 388 039	444 258 879
Total assets	**19 719 068 019**	**23 874 793 436**
Total subordinated assets	-	-

Liabilities	**31.12.17**	**31.12.16**
Due to banks	7 746 348 390	10 556 625 836
Customers deposits	8 896 860 733	10 105 642 137
Trading portfolio liabilities	198 956 816	68 412 264
Negative mark-to-market values of derivative financial instruments	237 832 917	359 657 719
Accrued expenses and deffered income	231 205 641	278 784 055
Other liabilities	252 142 169	81 701 624
Provisions	252 543 906	265 074 276
Reserves for general banking risks	135 948 560	135 948 560
Share capital	320 270 600	320 270 600
Capital reserve	2 560 668	2 560 668
o/w tax-exempt capital contributions	-	-
Retained earnings	1 384 426 443	1 584 209 599
Currency translation reserve	(6 240 795)	(7 869 168)
Own shares	(107 026)	(107 026)
Consolidated net profit	66 318 997	123 882 292
Total liabilities and shareholder's equity	**19 719 068 019**	**23 874 793 436**
Total subordinated liabilities	-	-

Consolidated off-balance sheet transactions at 31 December 2017

in CHF / with prior-year comparative data

	31.12.17	31.12.16
Contingent liabilities	3 569 051 329	3 912 086 042
Irrevocable commitments	4 552 362 778	4 726 417 332
Guarantee commitments	209 972 061	247 675 429

Consolidated income statement for the year ended 31 December 2017

in CHF / with prior-year comparative data

	31.12.17	31.12.16
Result from interest operations		
Interest income	432 563 814	368 114 026
Interest income and dividends from trading activities	4 469 754	3 387 992
Interest income and dividends from non-current financial assets	16 113 322	18 026 375
Interest expense	-210 383 495	-150 999 428
Gross result from interest operations	**242 763 395**	**238 528 965**
Changes in value adjustments for loan losses and losses linked to interest transactions	3 234 570	-1 898 829
Sub-total, net result from interest operations	**245 997 965**	**236 630 136**
Result from commission business and services		
Fees income from securities and investment activities	146 243 764	142 701 996
Fees income from lending activities	62 614 254	63 365 821
Fees income from other services	17 143 303	22 475 810
Fees expense	-58 755 718	-53 033 847
Sub-total, Result from commission business and services	**167 245 603**	175 509 780
Result from trading activities and fair value option	**59 348 706**	**56 424 785**
Other ordinary banking income and expense		
Gains/(losses) on the disposal of non-current financial assets	-	83 494
Income from investments (o/w other non-consolidated investments: CHF 361,454)	21 811	361 454
Real estate income	1 455 401	1 611 970
Niseallaneous ordinary income	31 919 685	54 437 063
Niseallaneous ordinary expenses	-197 460	-76 092
Net other ordinary banking income	**33 199 437**	**56 417 889**
Operating expenses		
Employee benefits expenses	-325 859 337	-324 667 868
Other operating expenses	-135 881 950	-155 290 686
Sub-total, operating expenses	**-461 741 287**	**-479 958 554**
Value adjustments to investments, depreciation of property, plant and equipment, and amortisation of intangible assets	-12 774 537	-11 300 726
Changes in provisions and other value adjustments, losses	10 635 288	93 331 404
Operating profit	**41 911 175**	**127 054 714**
Extraordinary income	32 785 550	3 403 379
Extraordinary expenses	-331 931	-849 479
Taxes	-8 045 797	-5 726 322
Net profit	**66 318 997**	**123 882 292**

Consolidated cash flows statement at 31 December 2017

in thousands of CHF / with prior-year comparative data

	31.12.17		31.12.16	
	Sources of funds	Uses of funds	Sources of funds	Uses of funds
Net profit for the year	**66 319**	**-**	**123 882**	**-**
Value adjustments to investments, depreciation and amortisation of property, plant and equipment and intangible assets	10 710	-	11 301	-
Provisions and other value adjustments	-	12 530	-	108 963
Changes in value adjustments for loan losses and losses	-	10 635	-	1
Accrued income and prepaid expenses	24 074	-	-	11 482
Accrued expenses and deferred income	-	47 579	21 370	-
Other assets	124 871	-	-	118 572
Other liabilities	170 441	-	-	111 736
Prior year's dividend	-	323 665	-	228 033
Cash flows from operating activities	**396 415**	**394 409**	**156 553**	**578 786**
Translation difference	1 628	-	-	172
Cash flows from equity transaction	**1 628**	**-**	**-**	**172**
Equity investments	2 260	-	2	-
Real estate	51 747	-	-	30
Tangible fixed assets	-	4 549	-	1 079
Intangible assets	-	2 625	-	1 078
Cash flows from movements related to investments, property, plant and equipment and intangible assets	**54 007**	**7 174**	**2**	**2 187**
Cash flows from banking operations				
Due to banks	403 086	-	202 092	-
Customer deposits	418	-	-	4 017
Due from banks	283 307	-	-	14 967
Loans and advances to customers	425 467	-	13 101	-
Mortgage loans	-	686 780	-	94 738
Non-current financial assets	135 328	-	6 266	-
Medium- and long-term operations (> 1-year):	**1 247 606**	**686 780**	**221 459**	**113 722**
Due to banks	-	3 213 363	4 179 849	-
Customer deposits	-	1 209 199	-	1 469 304
Trading portfolio liabilities	130 545	-	20 804	-
Negative mark-to-market values of derivative financial instruments	-	121 825	138 817	-
Due from banks	73 027	-	742 669	-
Reverse repurchase agreements	623 000	-	27 000	-
Loans and advances to customers	-	521 955	-	348 522
Mortgage loans	426 834	-	-	25 794
Trading portfolio assets	-	467 446	82 629	-
Positive mark-to-market values of derivative financial instruments	246 526	-	-	178 543
Non-current financial assets	648 255	-	-	92 823
Short-term operations	**2 148 186**	**5 533 788**	**5 191 769**	**2 114 986**
Cash and cash equivalents position				
Cash and cash equivalents	2 774 308	-	-	2 759 930
Total	**6 622 150**	**6 622 150**	**5 569 783**	**5 569 783**

Statement of changes in consolidated equity at 31 December 2017

in thousands of CHF / with prior-year comparative data

	Share capital	Capital reserve	Returned earnings	Reserves for general banking risks	Currency translation reserve	Own shares	Net profit for the year	Net equity
Equity at 31.12.2016	**320 271**	**2 561**	**1 584 210**	**135 949**	**-7 869**	**-107**	**123 882**	**2 158 897**
Effect of exchange rate differences	-	-	-	-	1 628	-	-	1 628
Dividend and other distributions	-	-	-323 665	-	-	-	-	-323 665
Returned earnings	-	-	123 882	-	-	-	-123 882	-
Consolidated net income	-	-	-	-	-	-	66 319	66 319
Equity at 31.12.2017	**320 271**	**2 561**	**1 384 427**	**135 949**	**-6 241**	**-107**	**66 319**	**1 903 179**

Notes to the consolidated financial statements for the year ended 31 December 2017

figures in thousands of CHF / unless otherwise stated

1. Business review and employees

The BNP Paribas (Suisse) Group (hereinafter "the Group") is made up of BNP Paribas (Suisse) SA (hereinafter "the Bank") and its subsidiaries.

The scope of consolidation is presented in Chapter 2 section a) below.

BNP Paribas (Suisse) SA, which has its head office in Switzerland, has branches in Basel, Lugano, Zurich and Guernsey, as well as subsidiaries in the United Arab Emirates and Monaco.

BNP Paribas (Suisse) SA operates in all corporate and investment banking businesses and in wealth management, with all the necessary support services.

In corporate and investment banking, the Bank's activities encompass specialised financing – particularly in commodities – primary market issuance and placement, and proprietary trading in the foreign exchange, fixed-income and equity derivatives markets.

The wealth management business focuses on international clients with substantial assets and is conducted through the Bank and its subsidiary in Monaco.

BNP Paribas (Suisse) SA is in charge of cash management for all banking businesses and entities in its scope of consolidation. The Bank provides an information systems hub and back office services for some of the BNP Paribas Group's Swiss and foreign entities. Conversely, it outsources a number of activities to BNP Paribas Group units. These include the back office activities for bond trading to BNP Paribas SA, Paris, its administration/accounting activities for equity derivatives and back office activities for equity derivatives to BNP Paribas Arbitrage, Paris, its supplier invoice processing to BNP Paribas India Solutions Private Ltd, Mumbai, certain IT developments to BNP Paribas Group units (Singapore, Mumbai), part of the Securities back office activities for Wealth Management clients to BNP Paribas SA, Lisbon branch, and the Swift payment traffic platform, message filtering and monitoring to BNP Paribas SA Paris.

BNP Paribas (Suisse) SA brought back in house its information systems production previously outsourced to the Swiss subsidiary of BNP Paribas Partners for Innovation, a joint venture between BNP Paribas SA, Paris and IBM France, with effect from 1 January 2017.

BNP Paribas (Suisse) SA has a share capital of CHF 320.3 million and is 99.99%-owned by BNP Paribas SA, Paris.

At 31 December 2017, the Group had 1 372 employees (2016 : 1 415 employees), breaking down as follows :

Switzerland : 1 287 employees (2016 : 1 328 employees)
International: 85 employees (2016 : 87 employees)

The Group's average headcount in 2017 was 1 386 employees (2016 : 1 435 employees).

2. Significant accounting policies

The consolidated financial statements of the Group comprising BNP Paribas (Suisse) SA and its subsidiaries have been prepared in accordance with the by-laws, the Swiss Code of Obligations, the Federal Banking Law and the circulars on the preparation of financial statements issued by the Swiss Financial Market Supervisory Authority (FINMA). Accordingly, they have been prepared so as to present a true and fair view of the Group's assets and liabilities, financial position and results of operations.

The significant accounting principles were amended by FINMA Circular 2015/1 "Accounting – banks", which came into force on 1 January 2015.

a) Accounting principles

Consolidated subsidiaries

Significant subsidiaries in which the Bank directly or indirectly owns more than 50% of the share capital are fully consolidated. The separate financial statements of those subsidiaries are adjusted to comply with the accounting policies described below. The balance sheets and income statements of each subsidiary are aggregated, and any intragroup commitments, loans, income and expenses are eliminated on consolidation.

Entities in which the Group directly or indirectly owns at least 20% of the voting rights are accounted for using the equity method, except for those which are not material or in which the Bank does not play an active management role.

The net difference on elimination of balances resulting from the use of a different accounting method is recognised on the balance sheet under "Other assets" or "Other liabilities".

Goodwill

Goodwill arising on an acquisition is the difference between the cost and fair value of the net assets acquired. It is recognised under “Intangible assets”. It is amortised on a straight-line basis over 5 years.

Scope of consolidation

At 31 December 2017, the scope of consolidation includes the Group’s interest in BNP Paribas Wealth Management Monaco, a banking subsidiary with share capital of EUR 13.0 million, audited by Messrs François Brych and Jean-Humbert Croci in Monaco.

Non-consolidated holdings

Minority holdings or investments below the materiality threshold are measured at cost. A value adjustment is recognised for any prolonged impairment in value.

Non-consolidated investments are measured at cost. Non-consolidated investments in foreign currencies are translated at the exchange rate at the date of acquisition (historical cost convention).

A value adjustment is recognised for any prolonged impairment in value.

Non-consolidated investments in foreign currencies are refinanced in the same currency and translated at the year-end rate.

Translation of foreign currency transactions and balance sheet items

Balance sheet items in foreign currencies are translated into Swiss francs at the year-end rate. Off-balance sheet items are translated at the year-end rate, except for forward currency transactions, which are translated at the rate applicable to the remaining term to maturity.

Income and expense in foreign currencies are translated into Swiss francs at the rate prevailing on the transaction date. The only exception to this principle is a proportion of net revenue generated in US dollars by the Bank, which may be translated at the rate for the currency positions taken during the year to hedge the exchange rate risk against the Swiss franc of part of net revenues generated in this currency.

The average USD/CHF exchange rate used to translate the US dollar revenues was CHF 0.9895 in the year (2016: 0.9796).

With a view to hedging part of its 2018 results against a possible decline in the US dollar, the Bank introduced a hedging strategy at the end of 2017 covering USD 25 million. This hedging position was not remeasured in the income statement at the year-end date.

The following year-end rates were used for the main currencies:

	31.12.17	**31.12.16**
USD/CHF	0.97710	1.01690
EUR/CHF	1.17225	1.07410
JPY/CHF*	1.15167	1.14877
GBP/CHF	1.32065	1.25715

**Rate per 100 yen*

The average rates used for consolidation purposes at end-2017 were USD/CHF 0.984606 (end-2016: 0.98526) and EUR/CHF 1.1119064 (end-2016: 1.089917).

The income statement items of subsidiaries denominated in foreign currencies have been translated into Swiss francs at the average rate for the year.

Financial year

The financial year corresponds to the calendar year.

Recognition of transactions

Transactions are recognised on their value date, with the exception of derivatives, securities and some transfers, which are recognised on the transaction date. The Bank's Senior Management believes that the impact of this treatment is not material.

Accrual accounting

Income is recognised when earned or accrued and expenses when incurred.

Loans and advances to customers and mortgage loans

Loan and guarantee facilities granted to customers are measured at their face value, which is usually the net amount disbursed at the outset.

Impairment of loans and advances, mortgage loans, provisions for financing and guarantee commitments

Impairment of loans is recognised when there is objective evidence of impairment as a result of an event that occurred after arrangement of the loan, this event affects the amount or timing of future cash flows and its impact can be estimated reliably. Loans are analysed individually to determine whether such impairment exists. Similar arrangements apply to the analysis of provisions for financing and guarantee commitments given by the Group, including the probability that financing commitments will be drawn down.

On an individual basis, objective evidence of impairment is any observable data linked to one of the following eventualities:

- the existence of accounts unpaid for at least three months,
- knowledge or observation of significant financial difficulties at the counterparty such that it is possible to conclude that a proven risk exists, whether or not an amount has remained unpaid,
- the concessions on the terms of loans granted solely as a result of the borrower's financial difficulties.

Impairment is measured as the difference between the carrying amount before impairment and the present value of the components deemed recoverable (principal, interest, guarantees, etc.) after discounting them at the effective interest rate originally in force.

The estimated value of collateral (guarantees received) is the value of the guarantee, up to the amount of the assets covered.

Non-bank collateral is measured on the basis of the fair value of the underlying asset (securities, metals, currencies, goods, etc.) pledged. For collateral in the form of a third-party pledge, the value is measured on the basis of the assets held by the third party in the Group's books. Bank guarantees are assessed based on a review of the solvency of the guarantor bank.

For mortgage-backed collateral, the value is measured based on expert appraisals or established valuation methods.

Changes in the value of impaired assets are recognised through profit or loss under "Changes in value adjustments for loan losses and losses linked to interest transactions". Any subsequent increase in value arising from an objective cause after the impairment is also recognised through profit or loss under "Changes in value adjustments for loan losses and losses linked to interest transactions".

Impairment of a loan or an advance, plus related interest, is recognised under assets as a separate provision reducing the original amount of the loan. Provisions for a financial instrument recorded off balance sheet, a financing or guarantee commitment, or for litigation, are recognised in “Provisions” as liabilities.

A loan is impaired fully or partially through profit or loss and its provision is reversed to reflect the loss when all avenues of recourse available to the Bank for recovering the components of the loan and the guarantees have been exhausted or when it has been fully or partially forgiven.

Corporate and Investment Banking (CIB) loans are assessed for risk using the BNP Paribas Group’s internal rating system, which is based on historical data. This assessment is used to identify pools of loans which, given events that have occurred since they were granted, have a collective probability of default at maturity that constitutes objective evidence of impairment across the entire portfolio, but cannot be individually allocated to the loans comprising that portfolio. The assessment also provides an estimate of the relevant losses taking account of trends in the economic cycle over the assessment period. Estimated losses are recognised as a liability on the balance sheet, then offset on the asset side by means of value adjustments for underlying risks charged through profit or loss under “Changes in value adjustments for loan losses and losses linked to interest transactions”. Where a potential loss cannot be allocated individually, a specific provision is recognised and the corresponding value adjustment for underlying risks is reversed through “Changes in value adjustments for loan losses and losses linked to interest transactions”.

The value adjustments for underlying risks are as follows:

CHF millions

	31.12.17	**31.12.16**
	5.4	6.8

Loans secured by property assets are recognised on the balance sheet under “Mortgage loans”.

Securities held for trading

Fixed or variable income securities held for trading are measured at market value.

Non-current financial assets

Non-current financial assets comprise interest-bearing securities which the Group intends to hold to maturity and investments in bonds, interest-bearing securities, shares or similar securities held for the sole purpose of earning a satisfactory return in the medium term but without any management involvement in the issuing companies.

Interest-bearing securities that the Bank intends to hold to maturity are measured at cost. The difference between the cost and redemption value of bonds is amortised on a straight-line basis until maturity (accrual method) and the amortisation charge is recognised through profit or loss under “Interest and dividend income from non-current financial assets”.

Listed equities are measured at the lower of cost and market value. Unlisted equities are measured at the lower of cost or intrinsic value. A provision is taken for any negative difference and recorded under “Other ordinary banking expenses”. Subsequent provision reversals are recognised under “Other ordinary banking income”.

Securities lending and repurchase agreements

Repurchase agreements and securities loans remain on the balance sheet and are measured in accordance with the accounting principles applicable respectively to securities held for trading and non-current financial assets provided that the Group retains the economic benefit of the rights attached to the relevant securities. Amounts received from the sale of securities under repurchase agreements or received as collateral for the securities loans are recognised on the balance sheet under “Liabilities from securities financing transactions”. Interest expense on these commitments is recognised in the income statement on an accrual basis.

Reverse repurchase agreements and securities borrowing transactions are not recognised on the balance sheet unless the counterparty has transferred the power to dispose of the relevant securities. Amounts paid for the purchase of securities under reverse repurchase agreements or given as collateral for securities borrowing transactions are recognised under “Due from securities financing transactions”. Interest income on these assets is recognised in the income statement on an accrual basis.

Tangible fixed assets

Property, plant and equipment is measured at cost and depreciated on a straight-line basis over its estimated useful life.

If there is evidence of impairment or a change in estimated useful life, an exceptional write-down is made and the residual carrying amount is then depreciated over the new estimated useful life. Depreciation and exceptional write-downs are recognised in the income statement under “Value adjustments to investments, depreciation of property, plant and equipment, and amortisation of intangible assets”. If the reasons for the exceptional write-down no longer apply, a full or partial reversal of the impairment charge taken in prior periods is recognised in non-recurring income.

The depreciation periods used for the main asset categories are as follows:

- **buildings:** 10 to 60 years depending on components
- **furnishings and furniture:** 5 years
- **office equipment:** 3 years
- **mobile telephony, tablets:** 2 years
- **other hardware:** 5 years
- **software:** 3-5 years
- **customer portfolio:** 5 years

Intangible assets

Goodwill includes goodwill on consolidated investments and purchased goodwill, amortised on a straight-line basis over five years. If there is evidence of impairment or a change in estimated useful life, an exceptional write-down is made and the residual carrying amount is then amortised over the new estimated useful life.

Other intangible assets include expenses incurred on software developed internally. Upon entry into service, the software created by the Bank is recognised under property, plant and equipment.

Issues

The Bank makes structured bond issues for its institutional clients, which are measured at market value.

Provisions

Provisions are taken for impairment of on- and off-balance sheet assets and for litigation risks. All value adjustments and provisions are recognised under "Provisions", other than provisions for non-current financial assets, specific loan loss provisions and value adjustments for underlying risks, which are deducted from the corresponding asset on the balance sheet.

Employee benefit obligations

Obligations arising from existing pension plans are measured and provided for on the balance sheet using the actuarial method recommended in Swiss GAAP RPC 16. Provisions taken correspond to the net present value of the obligation at the balance sheet date (see notes 3.12 and 3.13 below).

Employee benefits other than pensions, such as retirement bonuses and long-service awards, are expensed as and when earned by the Group's employees.

Derivative financial instruments

Derivative financial instruments are measured as follows:

- For arbitrage activities, changes in the fair value of instruments traded on organised markets are recognised through profit or loss under “Result from trading activities”. This principle also applies to over-the-counter swaps, in which case market value is equal to the net present value of future cash flows.
- Gains or losses on derivative instruments designated as micro – or macro-hedges are measured and recognised in the same way as gains or losses on the hedged items. Macro-hedges are mainly used for managing balance sheet items with no fixed maturity. Gains or losses are recognised in interest income and expense. Any difference compared with market value is recognised in the set-off account on the balance sheet.

Gross replacement values shown on the balance sheet under “Positive replacement values of derivative financial instruments” and “Negative replacement values of derivative financial instruments” correspond to the market value of derivative financial instruments arising from trading on behalf of clients and on proprietary trading at the balance sheet date. Gross positive replacement values represent receivables and gross negative replacement values represent liabilities. The respective positions at the balance sheet date are disclosed in note 3.4.

Gross positive and negative replacement values of IRSs and FRAs entered into with the same counterparty are netted if a netting agreement has been signed with the counterparty.

Taxes

Group entities provide for tax due in respect of prior periods, tax on net income for the period and taxable equity at the year-end in accordance with the rules and rates prevailing in their home country.

Where applicable, deferred tax assets or liabilities are recognised in respect of temporary differences, calculated using the liability method. Deferred tax assets and liabilities are not netted on the balance sheet.

A deferred tax asset of CHF 0.6 million was recognised on the balance sheet under “Other assets” at 31 December 2017 (2016 : CHF 1.3 million). This amount was recognised on the Monaco subsidiary’s tax loss carryforwards.

A deferred tax liability of CHF 186.9 million was recognised on the balance sheet under “Provisions” at 31 December 2017 (2016 : CHF 186.9 million). This amount was determined by applying the Bank’s effective tax rate (24.23%) to the general provisions of CHF 771.2 million carried in the statutory financial statements of Group companies.

Other indirect taxes and duties are recorded under “Other operating expenses”.

Fee income
Fee income is recognised in the income statement when debited to the client. Fiduciary fees, fees charged per period, fees on syndicated loan participation and some financing fees are accounted for on an accrual basis.

Reserves for general banking risks
The Group takes reserves for general banking risks to cover the risks inherent in the banking business that are not covered by specific provisions. These reserves are recognised as equity and have been taxed.

Own shares
Own shares are deducted from equity under a separate line item entitled "Own shares".

Contingent liabilities, irrevocable commitments and guarantees
Off-balance sheet items are shown at their face value. Provisions are taken for identified risks and recognised as a liability on the balance sheet.

b) Risk management review

Introduction
The Bank's Board of Directors carries out an annual risk assessment based on an ad hoc report prepared by Senior Management.

Interest rate risk
The Bank is responsible for managing and monitoring all interest rate risk on forward and futures transactions carried out by Group entities. It is also responsible for ensuring compliance with the BNP Paribas Group's policies on structural interest rate risk on undated assets and liabilities carried on the balance sheets of the various entities (equity, customer sight deposits).

This operating framework is based on service contracts entered into by the Bank and the relevant Group entities, under which they agree to centralise all their interest rate and counterparty risk with the Bank.

In addition to these positions, the Bank trades on its own account within the limits set in its internal regulations.

Under an active asset and liability management policy, the Group reinvests part of its non-interest-bearing customer sight deposits in medium and long-term investments to benefit from a better rate than that offered by the money market. Similarly, a part of its equity is invested in long-term investments.

Other market risks

Only the Bank is authorised to trade in the equity, fixed-income and foreign exchange markets on its own account. The Bank trades in the financial markets in accordance with the directives issued by the Swiss Bankers Association on derivatives risk management applicable since 1 July 1996.

The main components of the Bank's risk management system are:

- position limits for each business and maximum loss limits for trading;
- credit limits by counterparty;
- real time monitoring of trading activities and weekly performance analysis for interest rate maturity mismatching activities;
- a detailed system for reporting to the committees responsible for overseeing market and credit risk.

The Bank uses the internal value at risk model used by all BNP Paribas Group entities. The model uses simulation techniques and estimates potential losses on market activities based on the historical volatility of the main inputs (interest rates, currency rates, equity prices) likely to lead to a change in portfolio value and the historical correlations between those variables.

Other Group entities trade in derivative financial instruments on behalf of clients, mainly currency, equity and interest rate derivatives.

Credit risk

All Group entities apply the Group's credit risk management policy on a consistent basis. Loans are classified according to an internal risk rating system which is used to measure the quality of credit portfolios at all times. There is a system of delegated signature authorities for granting loans, tailored to the needs of each individual entity. Each entity controls the risks related to loans granted, compliance with delegated signature authorities, and loan classification in accordance with the internal rating system.

The Bank's risk management department and the Board of Directors receive a consolidated risk report on a regular basis. Provision requirements are determined periodically.

Country risk

As regards sovereign risk, the Group is part of the centralised risk management system established by BNP Paribas SA, Paris. The principles and methods applied by the BNP Paribas Group for country risk comply with the directives issued by the Swiss Bankers Association.

The BNP Paribas Group has ad hoc committees that set limits by area and country, which include credit facilities granted by the Group. These committees are also responsible for regular analysis and measurement of country risk outside the EU and OECD: these countries are classified in increasing order of risk and there is a minimum provisioning requirement for each category. In addition, loans are weighted according to maturity structure and transaction type. However, no provision is taken by the Bank or Group entities as BNP Paribas SA Paris is responsible for taking all requisite country risk provisions based on information reported by BNP Paribas Group Swiss entities.

Operational and reputational risk

The Group has dedicated units responsible for identifying, measuring and controlling risks related to the operational aspects of its business, and particularly with regard to compliance, information systems, and legal and tax risks.

An Internal Control Committee at parent company level meets periodically to review the operational risk management system, permanent controls, compliance and ethics, and to monitor implementation of recommendations made by the external or internal auditors.

In addition, a dedicated BNP Paribas (Suisse) SA Executive Committee conducts a quarterly review of operational risks and litigation risks provided for and to be provided for in the Bank's financial statements. In December 2016, it decided to reverse a CHF 95.6 million provision for other operating risks set aside in 2014 (CHF 53.1 million) and 2015 (CHF 42.5 million) because the risk assessment did not justify retaining the provision.

c) Policy for the use of derivative financial instruments

Proprietary trading activities are conducted in accordance with internal directives governing market and interest rate risk management.

The Group's entities trade in derivative financial instruments on behalf of their clients. Transactions cover foreign exchange (forward currency contracts and currency options), equity options, stock indices, fixed-income, precious metals and futures.

For these transactions, Group entities calculate a risk equivalent to determine the amount of collateral required. The risk equivalent is either the replacement value of the instruments plus an add-on or the usual margin calculated by the market.

Margin calls are made where the value of the assets provided as collateral is no longer adequate for the risk incurred.

d) Consolidated supervision

Consolidated supervision of the various Group entities is the responsibility of the Bank's Senior Management, which draws up reporting and control procedures. Senior Management monitors the operations of its subsidiaries within the limits set by the various Boards of Directors. Members of the Bank's Senior Management sit on the boards of the Group's consolidated entities.

3. Balance sheet disclosures

3.1) Repurchase and reverse repurchase agreements

	31.12.17	31.12.16
Book value of cash collateral delivered in connection with securities borrowing and reverse repurchase agreements[1]	-	623 000
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities transferred in connection with repurchase agreements	146 444	53 832
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	-	622 909

[1]Prior to any netting agreements

3.2) Analysis of collateral for loans and off-balance sheet transactions, plus impaired loans

		Breakdown of collateral			
		Mortgage collateral	Other collateral	No collateral	Total
Loans (before offset with value adjustments)					
Loans and advances to customers		179 743	5 768 249	2 787 420	8 735 412
Mortgage loans		1 602 686	35 656	83 449	1 721 791
Real estate		1 205 474	33 944	81 324	1 320 742
Commercial and industrial property		1 028	-	-	1 028
Other		396 184	1 712	2 125	400 021
Total loans (before offset with value adjustments)					
	31.12.17	**1 782 429**	**5 803 905**	**2 870 869**	**10 457 203**
	31.12.16	1 470 559	4 649 901	4 026 080	10 146 540
Total loans (after offset with value adjustments)					
	31.12.17	**1 729 351**	**5 539 672**	**2 846 974**	**10 115 997**
	31.12.16	1 422 027	4 328 233	3 998 668	9 748 928

Off balance sheet					
Contingent liabilities		-	872 949	2 696 102	3 569 051
Irrevocable commitments		2 672	194 096	4 355 595	4 552 363
Guarantee commitments		-	83 402	126 570	209 972
Total off-balance sheet commitments					
	31.12.17	**2 672**	**1 150 447**	**7 178 267**	**8 331 386**
	31.12.16	1 621	1 084 500	7 800 057	8 886 178

Impaired loans		Gross receivables	Realization value of a risk mitigants	Net receivables	Individual imperment charge / reversal
	31.12.17	**516 635**	**170 425**	**346 210**	**346 210**
	31.12.16	653 912	253 785	400 127	400 127

The estimated value of collateral (guarantees received) is the estimated value of the guarantee used to calculate the value adjustment, up to the amount of the assets covered.

3.3) Breakdown of trading portfolio assets and liabilities and other financial instruments at fair value (assets and liabilities)

Assets	**31.12.17**	**31.12.16**
Trading portfolio	**1 325 939**	**858 493**
Debt securities, money market instruments/transactions	486 850	109 055
o/w listed	*486 850*	*109 055*
Equity securities	839 089	749 438
Total assets	**1 325 939**	**858 493**
o/w calculated using a valuation model	-	-
o/w repurchase agreements contracted for liquidity purposes	***273 029***	*32 144*

Commitments	**31.12.17**	**31.12.16**
Trading portfolio	**198 957**	**68 412**
Debt securities, money market instruments/transactions	198 957	68 412
o/w listed	*198 957*	*68 412*
Total commitments	198 957	68 412
o/w calculated using a valuation model	-	-

3.4) Analysis of derivative financial instruments (assets and liabilities)

	Trading Instruments			Hedging Instruments		
	Positive mark-to-market values	Negative mark-to-market values	Contract volumes	Positive mark-to-market values	Negative mark-to-market values	Contract volumes
Fixed income instruments						
swaps	5 649	5 990	7 512 972	11 256	13 002	1 651 739
futures	-	-	-	-	-	-
options (OTC)	142	142	236 802	-	-	-
Total	**5 791**	**6 132**	**7 749 774**	**11 256**	**13 002**	**1 651 739**
Currencies, precious metals						
forward contracts	90 500	88 659	7 814 668	253	1 453	491 857
cross-currency interest rate swaps	42 931	38 658	4 746 834	63 676	31 688	12 534 678
options (OTC)	56 419	56 419	3 397 102	-	-	-
Total	**189 850**	**183 736**	**15 958 604**	**63 929**	**33 141**	**13 026 535**
Equities/Indices						
forward contracts	-	-	-	-	-	-
futures	-	1 530	848 937	-	-	-
options (OTC)	292	292	94 931			
Total	**292**	**1 822**	**943 868**	**-**	**-**	**-**
Total after any netting agreements — **31.12.17** o/w calculated using a valuation model	**195 933**	**191 690**	**24 652 246**	**75 185**	**46 143**	**14 678 274**
Total after any netting agreements — **31.12.16** o/w calculated using a valuation model	383 677	328 420	26 007 189	133 967	31 238	10 470 661

		Positive mark-to-market values (cumulative)	Negative mark-to-market values (cumulative)
Total after any netting agreements	**31.12.17**	**271 118**	**237 833**
	31.12.16	517 644	359 658

	Breakdown by counterparty		
	Central clearing houses	Banks and securities dealers	Other clients
Positive replacement values (after any netting agreements)	-	131 658	139 460

3.5) Breakdown of non-current financial assets

	Book value		Fair value	
	31.12.17	**31.12.16**	**31.12.17**	**31.12.16**
Debt securities	1 602 158	2 365 006	1 602 391	2 365 375
o/w held-to-maturity	*1 602 158*	*2 365 006*	*1 602 158*	*2 365 099*
Equity securities	401	400	36 026	32 250
Precious metals	217 960	238 190	217 960	238 190
Buildings, goods and vehicles	528	1 033	528	1 033
Total	**1 821 047**	**2 604 630**	**1 856 905**	**2 636 849**
o/w repurchase agreements contracted for liquidity purposes	*1 129 997*	*1 739 339*	*1 129 997*	*1 739 339*

Breakdown of counterparties based on their S&P rating	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to B-**	**below B-**	**not rated**
Book value of debt securities	1 572 182	29 976				

3.6) Analysis of non-consolidated holdings

	Cost	**Book value at 31.12.2016**	**Investments**	**Divestments (incl. currency effect)**	**Value adjustments**	**Book value at 31.12.2017**
Other investments						
with no equity value[1]	4 512	4 493	-	-195	-2 065	2 233
Total investments	**4 512**	**4 493**	**-**	**-195**	**-2 065**	**2 233**

[1] Including BNP Paribas Wealth Management (DIFC) Limited, Dubai, a company with share capital of USD 4,000 million. This Company holds a category 4 licence and is therefore not permitted to engage in lending or discretionary management activities. Given the size of its balance sheet, the Bank considered that the conditions for consolidating BNP Paribas Wealth Management (DIFC) Limited were not met.

3.7) Disclosure of businesses in which the Bank holds a direct or indirect significant permanent interest

Company name and headquarters	Main Business	Method of consolidation	Share capital (in 000s)	Shareholding	Voting rights	Direct/ indirect ownership
BNP Paribas Wealth Management Monaco, Monaco	Banking	Full consolidation	EUR 12 960	100.00	100.00	direct

3.8) Tangible fixed assets

	Cost	Cumulative depreciation and value adjustments	Carrying amount at 31.12.2016	Changes of allocation	Investments	Divestments	Depreciation and amortisation	Carrying amount at 31.12.2017
Owner-occupied property	169 160	-66 171	102 989	-	-	-51 747	-2 476	48 766
Software acquired separately or developed internally	56 684	-53 711	2 973	302	851	-1 689	-1 083	1 354
Other property, plant and equipment	115 444	-103 272	12 172	-	6 331	-944	-5 730	11 829
Tangible fixed assets	**341 288**	**-223 154**	**118 134**	**302**	**7 182**	**-54 380**	**-9 289**	**61 949**

Maturity schedule of off balance sheet leasing commitments	Total	o/w due in 1 year	o/w due >1 – <=2 years	o/w due >2 – <=3 years	o/w due >3 – <=4 years	o/w due >4 – <=5 years	o/w due after 5 years
Total leasing commitments	**377**	**150**	**122**	**77**	**28**	**-**	**-**

3.9) Analysis of intangible assets

	Cost	Cumulative amortisation	Carrying amount at 31.12.2016	Changes of allocation	Investments	Divestments	Amortisation	Carrying amount at 31.12.2017
Goodwill	143 887	-140 549	3 339		2 505	4	-1 421	4 427
Other intangible assets	2 685	-1 149	1 535	-303	1 152	-1 035	-	1 349
Total intangible assets	**146 572**	**-141 698**	**4 874**	**-303**	**3 657**	**-1 031**	**-1 421**	**5 776**

3.10) Breakdown of other assets and other liabilities

Other assets	31.12.17	31.12.16
Direct taxes	120 352	248 080
Indirect taxes	76 799	75 919
Settlement accounts	102 426	80 945
Clearing accounts	229	16 180
Deferred tax asset	609	1 282
Other	18 973	21 853
Total	**319 388**	**444 259**

Other liabilities	31.12.17	31.12.16
Settlement accounts	99 481	13 706
Indirect taxes	3 995	6 524
Other	148 666	61 472
Total	**252 142**	**81 702**

3.11) Disclosure of assets pledged or assigned as collateral for its own commitments and assets subject to retention of title

Assets assigned as collateral were non-material at 31 December 2017, as they were at 31 December 2016.

3.12) Disclosure of commitments to own pension fund institutions

The credit balance on current accounts held by pension funds with the Bank at 31 December 2017 amounted to CHF 43.2 million (2016: CHF 19.0 million).

All the Bank's employees are affiliated with a pension fund common to all BNP Paribas Group entities in Switzerland. The fund provides its affiliates with pension benefits in exchange for contributions.

The Bank's managers and Senior Management members are also affiliated with a supplementary pension fund in exchange for contributions.

The Bank measures its pension obligations using the actuarial method for pension funds.

3.13) Disclosures of the economic position of own pension fund institutions

Neither of the BNP Paribas Group's Swiss pension funds is running at a technical deficit.

The latest audited annual financial statements for these pension funds at 31 December 2016 prepared in accordance with Swiss GAAP RPC 26 show a coverage rate of:

- 114.8% for the BNP Paribas Group Swiss pension fund,
- 125.0% for the Executive supplementary pension fund in Switzerland.

Since there are no plans to use the pension fund surpluses to reduce employer contributions, to return them to the employer or to use them for an economic purpose other than paying out regulatory benefits, these surpluses do not constitute economic benefits for the Bank.

The Group's foreign subsidiaries have defined contribution pension plans that are independent from those of the Bank.

	Estimated plan surplus at year-end 2017	Group's economic interest		Change in economic interest vs. previous year (economic benefit/commitment)	Contributions paid in 2017	Pension expenses in employee benefits expense	
		31.12.17	31.12.16			31.12.17	31.12.16
Pension funds with plan surplus/shortfall							
BNP Paribas Group Swiss pension fund	117.3%	-	-	-	26 937	28 152	28 010
Executive supplementary pension fund in Switzerland	126.4%	-	-	-	1 190	1 190	1 163

3.14) Analysis of value adjustments, provisions and reserves for general banking risks and changes during the reference period

	Balance at 31.12.2016	Uses as intended	Reclassifications	Foreign exchange differences	Interest in arrears, recoveries	New charges through profit or loss	Reversals through profit or loss	Etat au 31.12.2017
Provisions for deferred taxes	186 864	-	-	-	-	-	-	186 864
Provisions for pension commitments	8 970	-	-8 970	-	-	-	-	-
Provisions for credit risks	8 988	1 379	-	-	-	-	-	10 367
Provisions for other operating risks	59 016	-2 520	-	937	-	5 601	-16 433	46 601
Restructuring provisions	380	-6	-	24	-	172	-387	183
Other provisions	855	-1 734	8 970	293	-	313	-169	8 528
Total provisions	**265 074**	**-2 881**	**-**	**1 254**	**-**	**6 086**	**-16 989**	**252 543**
Reserves for general banking risks (1)	**135 949**	**-**	**-**	**-**	**-**	**-**	**-**	**135 949**
Value adjustments for credit risks and country risks	**406 931**	**-62 757**	**-**	**596**	**15 511**	**11 906**	**-20 614**	**351 573**
o/w value adjustments for impaired loans	*400 127*	*-62 757*	*-*	*795*	*15 511*	*9 786*	*-17 252*	*346 210*
o/w value adjustments for underlying risks	*6 804*	*-*	*-*	*-199*	*-*	*2 120*	*-3 362*	*5 363*

[1] The reserves for general banking risks are taxed when formed.

3.15) Analysis of the share capital

	31.12.17			31.12.16		
	Total par value	Number of shares	Share capital with dividend rights	Total par value	Number of shares	Share capital with dividend rights
Share capital[1]	320 271	3 202 706	320 271	320 271	3 202 706	320 271
o/w paid-up	*320 271*	*3 202 706*	*320 271*	*320 271*	*3 202 706*	*320 271*
Total share capital	**320 271**	**3 202 706**	**320 271**	**320 271**	**3 202 706**	**320 271**

[1] The share capital is made up of 3'202'706 registered shares each with a par value of CHF 100 and is 99.99%-owned by BNP Paribas SA, Paris.

3.16) Number and value of participation rights or options on such rights granted to any members of executive or governing bodies or to employees

	Number of performance shares granted		Share-based payment costs	
	31.12.17	**31.12.16**	**31.12.17**	**31.12.16**
Senior executives	-	2 605	-	129
Employees	-	10 185	-	506
Total	**-**	**12 790**	**-**	**635**

Between 2006 and 2012, the BNP Paribas Group set up a Global Share-Based Incentive Plan under which performance shares were allotted to certain Group employees.

The performance shares allotted between 2009 and 2012 vested definitively, subject to the individual's continued employment, after a vesting period of either 3 or 4 years.

With effect from 2010, the portion of each beneficiary's conditional allotment was set at 100% of the total allotment for Executive Committee members and senior executives at the BNP Paribas Group and at 20% for other beneficiaries.

The performance condition for performance shares granted up to 2011 to which a portion of these shares are subject is linked to the Group's earnings per share.

In 2012, the performance condition adopted was modified and assessed based on the performance of BNP Paribas shares relative to the Dow Jones Euro Stoxx Bank index.

Measurement of performance shares

The unit value of performance shares adopted is their value when they vest.
The final allotment of performance shares was made in 2012.

3.17) Disclosures of loans and commitments to related parties

Loans to members of the governing bodies

Loans to members of the governing bodies were not material at 31 December 2017 or 31 December 2016.

Loans and commitments to related companies

The following table shows (gross) loans and commitments to related companies (entities controlled by BNP Paribas SA Paris):

	Loans		Commitments	
	31.12.17	**31.12.16**	**31.12.17**	**31.12.16**
Sight accounts	137 885	144 103	53 074	78 879
Term accounts	293 414	228 885	33 558	63 476

	Off balance sheet	
Contingent liabilities	88 206	78 855
Irrevocable commitments	-	-
Guarantees	13 428	10 817

	Derivative financial instruments	
IRS	-	-
OTC interest-rate options	-	-
Forward currency transactions	4 292	2 290
OTC currency options	-	-
OTC securities options	44 539	-
Interest-rate futures	-	550 000
Securities futures	848 937	770 815
Dividend swaps	-	-

	Fiduciary transactions	
	-	-

Transactions with related companies are entered into on an arm's length basis.

Total loans and commitments to significant shareholders

Loans and commitments mainly comprise the balance of interbank treasury transactions at the balance sheet date with BNP Paribas SA Paris and its foreign branches.

	Loans		Commitments	
	31.12.17	**31.12.16**	**31.12.17**	**31.12.16**
Sight accounts	165 704	249 067	594 653	559 750
Term accounts	1 731 216	1 762 807	7 056 999	9 739 071

	Off balance sheet	
Contingent liabilities	137 657	209 229
Irrevocable commitments	293 253	217 121
Guarantees	690	635

	Derivative financial instruments	
IRS	7 374 710	5 583 849
OTC interest-rate options	118 401	176 383
Forward currency transactions	10 050 462	10 786 306
OTC currency options	1 496 795	2 371 025
OTC securities options	25 195	-
Dividend swaps	-	-

	Fiduciary transactions	
	3 267 034	2 634 186

Transactions with significant shareholders are entered into on an arm's length basis.

As part of its international trade finance business, the Bank has issued guarantees to and received guarantees from BNP Paribas Group banks for the following amounts:

	31.12.17	31.12.16
Guarantees received	910 014	971 535
Guarantees given	993 837	968 358

The Bank has given BGL BNP Paribas SA (Luxembourg) a liability warranty covering any loss that might arise as a result of the litigation assumed by BGL BNP Paribas SA (Luxembourg) pursuant to its acquisition of and merger with UEB (Luxembourg), a former subsidiary of the Bank.

3.18) Presentation of maturity structure of financial instruments

	Sight	Cancellable	Matured					Total
			Less than 3 months	Between 3 months and 12 months	Between 12 months and 5 years	Over 5 years	Non-current	
Assets / financial instruments								
Cash and cash equivalents	3 507 719	-	-	-	-	-	-	3 507 719
Due from banks	255 741	8 160	496 568	283 383	530 000	600 000	-	2 173 852
Due from securities financing transactions	-	-	-	-	-	-	-	-
Due from customers	-	2 280 648	4 148 646	736 906	945 943	300 721	-	8 412 864
Mortgage loans	-	33 403	237 368	375 131	749 740	307 491	-	1 703 133
Trading portfolio assets	1 325 939	-	-	-	-	-	-	1 325 939
Positive replacement values of derivative financial instruments	271 118	-	-	-	-	-	-	271 118
Non-current financial assets	218 361	-	107 045	99 129	814 555	581 428	529	1 821 047
31.12.17	**5 578 878**	**2 322 211**	**4 989 627**	**1 494 549**	**3 040 238**	**1 789 640**	**529**	**19 215 672**
31.12.16	8 138 855	3 119 545	5 235 113	1 683 161	3 502 143	1 485 058	1 033	23 164 908
Foreign funds / financial instruments								
Due to banks	557 337	-	3 675 875	2 652 711	856 494	3 931	-	7 746 348
Due to customers	8 446 302	13 481	359 759	75 917	311	1 090	-	8 896 860
Trading portfolio liabilities	198 957	-	-	-	-	-	-	198 957
Negative replacement values of derivative financial instruments	237 833	-	-	-	-	-	-	237 833
31.12.17	**9 440 429**	**13 481**	**4 035 634**	**2 728 628**	**856 805**	**5 021**	**-**	**17 079 998**
31.12.16	10 549 369	5 176	8 777 840	1 299 631	363 187	95 135	-	21 090 338

3.19) Breakdown of assets and liabilities by Switzerland and international

	31.12.17			31.12.16		
Assets	**Switzerland**	**International**	**Total**	**Switzerland**	**International**	**Total**
Cash and cash equivalents	3 505 301	2 418	3 507 719	6 279 734	2 293	6 282 027
Due from banks	8 030	2 165 822	2 173 852	33 659	2 496 527	2 530 186
Reverse repurchase agreements	-	-	-	623 000	-	623 000
Loans and advances to customers	2 397 773	6 015 091	8 412 864	2 225 285	6 080 456	8 305 741
Mortgage loans	254 394	1 448 739	1 703 133	288 254	1 154 933	1 443 187
Trading portfolio assets	1 118 252	207 687	1 325 939	794 289	64 204	858 493
Positive mark-to-market values of derivative financial instruments	84 468	186 650	271 118	78 359	439 285	517 644
Financial investments	974 393	846 654	1 821 047	1 220 258	1 384 372	2 604 630
Accrued income and prepaid expenses	91 327	22 725	114 052	107 845	30 281	138 126
Non-consolidated holdings	459	1 774	2 233	459	4 034	4 493
Tangible fixed assets	61 614	333	61 947	117 815	319	118 134
Intangible assets	5 618	158	5 776	4 380	494	4 874
Other assets	306 483	12 905	319 388	427 488	16 771	444 259
Total assets	**8 808 112**	**10 910 956**	**19 719 068**	**12 200 825**	**11 673 969**	**23 874 793**

	31.12.17			31.12.16		
Liabilities	**Switzerland**	**International**	**Total**	**Switzerland**	**International**	**Total**
Due to banks	84 003	7 662 345	7 746 348	12 846	10 543 780	10 556 626
Customers deposits	2 984 244	5 912 616	8 896 860	3 337 587	6 768 055	10 105 642
Trading portfolio liabilities	137 683	61 274	198 957	10 362	58 050	68 412
Negative mark-to-market values of derivative financial instruments	45 236	192 597	237 833	79 610	280 048	359 658
Accrued expenses and deffered income	192 053	39 152	231 205	238 719	40 065	278 784
Other liabilities	247 699	4 443	252 142	75 186	6 516	81 702
Provisions	238 759	13 785	252 544	253 385	11 689	265 074
Reserves for general banking risks	135 949	-	135 949	135 949	-	135 949
Share capital	320 271	-	320 271	320 271	-	320 271
Additional paid-in capital	107	2 454	2 561	107	2 454	2 561
Retained earnings	1 364 916	19 511	1 384 427	1 566 529	17 681	1 584 210
Currency translation reserve	-6 241	-	-6 241	-7 869	-	-7 869
Own shares	-107	-	-107	-107	-	-107
Consolidated net profit	63 860	2 459	66 319	123 574	308	123 882
Total liabilities and shareholder's equity	**5 808 432**	**13 910 636**	**19 719 068**	**6 146 148**	**17 728 646**	**23 874 793**

3.20) Breakdown of total assets by country (according to where the operation is based)

	31.12.17		31.12.16	
	Absolute value	Percentage	Absolute value	Percentage
Africa	315 724	2%	270 126	1%
Asia	1 162 276	6%	1 009 349	4%
Caribbean	853 092	4%	985 081	4%
Europe	7 774 905	39%	8 662 922	36%
o/w France	*3 679 504*	*19%*	*3 712 696*	*16%*
o/w United Kingdom	*760 936*	*4%*	*986 222*	*4%*
Latin America	136 867	1%	32 926	0%
North America	645 148	3%	709 159	3%
Oceania	22 943	0%	4 406	0%
Switzerland	8 808 113	45%	12 200 825	51%
Total assets	**19 719 068**	**100.00%**	**23 874 793**	**100.00%**

3.21) Breakdown of total assets based on the solvency of country groups (according to where the risk is located)

	Net international exposure at 31.12.2017		Net international exposure at 31.12.2016	
Rating class[1]	in CHF	Percentage	in CHF	Percentage
1	9 027 828	78.33%	9 611 545	78.19%
2	10	0.00%	76 549	0.62%
3	584 621	5.07%	442 719	3.60%
4	601 868	5.22%	480 823	3.91%
5	328 506	2.85%	650 393	5.29%
6	117 279	1.02%	155 696	1.27%
7	154 595	1.34%	156 650	1.27%
Unrated	710 288	6.16%	717 925	5.84%
Total assets	**11 524 995**	**100.00%**	**12 292 300**	**100.00%**

[1] *established using the Swiss Export Risk Insurance system*

3.22) Breakdown of assets and liabilities by currency

	CHF	EUR	USD	Other	Total
Assets					
Cash and cash equivalents	3 502 592	4 119	601	407	3 507 719
Due from banks	1 420 785	496 412	189 255	67 400	2 173 852
Reverse repurchase agreements	-	-	-	-	-
Loans and advances to customers	465 283	2 496 094	4 841 435	610 052	8 412 864
Mortgage loans	390 678	971 068	5 107	336 280	1 703 133
Trading portfolio assets	1 325 939	-	-	-	1 325 939
Positive mark-to-market values of derivative financial instruments	259 074	6 166	5 730	148	271 118
Financial investments	1 104 319	60 172	438 596	217 960	1 821 047
Accrued income and prepaid expenses	91 484	9 654	11 884	1 030	114 052
Non-consolidated holdings	459	174	1 600	-	2 233
Tangible fixed assets	61 614	333	-	-	61 947
Intangible assets	5 618	158	-	-	5 776
Other assets	315 090	2 601	1 657	40	319 388
Total balance sheet assets	**8 942 935**	**4 046 951**	**5 495 865**	**1 233 317**	**19 719 068**
Settlement claims arising from currency spot, futures and options transactions	**7 050 448**	**5 194 700**	**12 368 714**	**4 193 359**	**28 807 221**
Total assets	**15 993 383**	**9 241 651**	**17 864 579**	**5 426 676**	**48 526 289**

	CHF	EUR	USD	Other	Total
Liabilities					
Due to banks	258 582	255 388	6 718 003	514 375	7 746 348
Customers deposits	1 316 867	3 578 846	3 106 885	894 262	8 896 860
Trading portfolio liabilities	198 957	-	-	-	198 957
Negative mark-to-market values of derivative financial instruments	228 456	4 071	4 698	608	237 833
Accrued expenses and deffered income	114 534	96 215	19 451	1 005	231 205
Other liabilities	113 759	13 213	124 920	250	252 142
Provisions	223 286	13 273	10 595	5 390	252 544
Reserves for general banking risks	135 949	-	-	-	135 949
Share capital	320 271	-	-	-	320 271
Additional paid-in capital	107	2 454	-	-	2 561
Retained earnings	1 364 916	19 511	-	-	1 384 427
Currency translation reserve	-6 241	-	-	-	-6 241
Own shares	-107	-	-	-	-107
Consolidated net profit	63 860	2 459	-	-	66 319
Total balance sheet liabilities and shareholder's equity	**4 333 196**	**3 985 430**	**9 984 552**	**1 415 890**	**19 719 068**
Settlement commitments arising from currency spot, futures and options transactions	**11 585 804**	**5 272 297**	**7 883 780**	**4 010 858**	**28 752 739**
Total liabilities and shareholder's equity	**15 919 000**	**9 257 727**	**17 868 332**	**5 426 748**	**48 471 807**
Net position by currency	**74 383**	**-16 076**	**-3 753**	**-72**	**54 482**

4. Notes concerning off-balance sheet transactions

4.1) Breakdown of contingent assets and liabilities

	31.12.17	31.12.16
Loan collateral and related commitments	1 787 200	1 870 576
Warranties and similar	284 294	349 124
Irrevocable commitments under documentary credits	1 497 557	1 692 386
Total contingent commitments	**3 569 051**	**3 912 086**

4.2) Breakdown of loans by commitment

	31.12.17	31.12.16
Commitments arising from deferred payments	161 784	176 983
Other guarantees	48 188	70 692
Total	**209 972**	**247 675**

4.3) Breakdown of fiduciary transactions

	31.12.17	31.12.16
Fiduciary deposits with third party companies	12 218	13 322
Fiduciary deposits with related companies	3 267 034	2 634 186
Total	**3 279 252**	**2 647 508**

4.4) Assets under management

	31.12.17	31.12.16
Breakdown		
Type of administered assets:		
Assets under discretionary management agreements	4 381 375	3 480 736
Other assets under management	23 655 217	23 028 415
Total assets under management (including double-counted)	**28 036 592**	**26 509 151**
o/w double-counted	-	-

	31.12.17	31.12.16
Changes		
Total initial assets under management (including double-counted)	**26 509 151**	**27 401 731**
+/- Net funds inflows/outflows	642 468	-1 447 296
+/- Changes in prices, interest, dividends and exchange rates	1 547 936	744 973
+/- Other effects	-662 963	-190 257
Total final assets under management (including double-counted)	**28 036 592**	**26 509 151**

Assets under management comprise retail and institutional client assets (balance sheet deposits, fiduciary deposits, securities portfolios) for all BNP Paribas (Suisse) Group entities. They do not include assets for which the Group acts only as custodian, which amounted to CHF 2,549 million (2016: CHF 2,093 million).

Net new inflows/outflows comprise all external inflows and outflows of cash and securities recorded on client accounts. They do not include internal interest or fee entries or purchases of securities financed by loans. Similarly, external outflows and inflows of funds pursuant to client credit facilities (use of credit facility then repayment) are eliminated.

5. Notes to the consolidated income statement

5.1) Breakdown of the result from trading activities and fair value option

	31.12.17	31.12.16
Breakdown by business area		
Corporate Banking	1 592	4 914
Global Markets	19 304	14 733
ALM Treasury	12 052	11 036
Wealth Management	26 401	25 742
Total	**59 349**	**56 425**

	31.12.17	31.12.16
Result from use of fair value option		
Result from trading activities in:		
Fixed income instruments	13 136	12 152
Equity investments	3 027	1 574
Currencies	43 017	42 900
Precious metals	169	-201
Total result from trading activities	**59 349**	**56 425**

5.2) Disclosure of significant refinancing revenues from interest income and expense

	31.12.17	31.12.16
Negative interest paid[1]	-56 015	-38 259
Negative interest received[2]	12 367	8 048

[1] Interest expense derives from active operations recorded in interest income.
[2] Negative interest derives from passive transactions recorded in interest expense

5.3) Breakdown of employee benefits expense

	31.12.17	31.12.16
Salaries and wages	-220 332	-224 846
o/w cost of share-based payments and alternative forms of performance-related compensation	*-34 225*	*-33 477*
Social security benefits	-22 702	-23 366
Employer's pension contributions	-29 342	-29 080
Other employee benefits expense	-53 484	-47 376
Total	**-325 859**	**-324 668**

5.4) Breakdown of other operating expenses

	31.12.17	31.12.16
Premises	-15 693	-16 657
Expenses related to information and communication technology	-41 903	-30 918
Expenses related to vehicles, machines, furnishings and furniture and other facilities, including operating leases	-2 142	-2 213
Auditors fees	-1 372	-1 431
o/w for statutory audit and prudential audit services	*-1 372*	*-1 431*
Other operating expenses	-74 772	-104 071
Total	**-135 882**	**-155 291**

5.5) Significant losses, non-recurring income and expense, significant releases of unrealised gains, reserves for general banking risks, value adjustments and provisions released

Significant losses

No significant losses were recorded in 2016 or 2017.

Non-recurring income

Non-recurring income came to CHF 32.8 million in 2017. This amount reflected CHF 25.0 million in gains on the sale of property, plant and equipment and intangible assets, CHF 4.5 million for the reversal of loan loss provisions taken in previous years and CHF 3.3 million in non-recurring income mainly from corrections to prior-year transactions.

Non-recurring income came to CHF 3.4 million in 2016. This amount reflected CHF 1.5 million for the reversal of loan loss provisions taken in previous years and CHF 1.9 million in non-recurring income mainly from corrections to prior-year transactions.

Non-recurring expense

Non-recurring expense came to CHF 0.3 million in 2017. This expense included non-recurring expenses arising principally from the adjustment of prior-year transactions.

Non-recurring expense came to CHF 0.8 million in 2016. This expense included non-recurring expenses arising principally from the adjustment of prior-year transactions.

5.6) Breakdown of operating profit between Switzerland and international according to where the operation is based

The amounts of income and expense in the table below are shown before elimination of intragroup transactions:

	Suisse	Etranger	Total
Result from interest operations			
Interest income	413 984	18 580	432 564
Interest income and dividends from trading activities	4 470	-	4 470
Interest income and dividends from non-current financial assets	16 113	-	16 113
Interest expense	-206 010	-4 374	-210 384
Gross result from interest operations	**228 557**	**14 206**	**242 763**
Changes in value adjustments for loan losses and losses linked to interest transactions	3 124	111	3 235
Sub-total, net result from interest operations	**231 681**	**14 317**	**245 998**
Result from commission business and services			
Fees income from trading activities	131 844	14 400	146 244
Fees income from lending activities	62 071	543	62 614
Fees income from other services	15 841	1 303	17 144
Fees expenses	-57 532	-1 224	-58 756
Sub-total, Result from commission business and services	**152 224**	**15 022**	**167 246**
Result from trading activities and fair value option	**57 922**	**1 427**	**59 349**
Other ordinary banking income and expense	**32 728**	**471**	**33 199**
Total operating profit	**474 555**	**31 237**	**505 792**
Operating expenses			
Employee benefits expenses	-311 244	-14 615	-325 859
Other operating expenses	-121 287	-14 595	-135 882
Total operating expenses	**-432 531**	**-29 210**	**-461 741**
Value adjustments to investments, depreciation of property, plant and equipment, and amortisation of intangible assets	-12 550	-225	-12 775
Changes in provisions and other value adjustments, losses	11 184	-549	10 635
Operating profit	**40 658**	**1 253**	**41 911**

5.7) Current and deferred tax

	31.12.17	31.12.16
Current tax expense	-7 373	-5 620
Reversal of provision for deferred tax liabilities	-	-
Increase in deferred tax assets	-	-
Reversal of deferred tax assets	-673	-106
Total tax expense	**-8 046**	**-5 726**
Average tax rate	10.82%	4.42%

Innov

SWISS NEXT OPEN INNOVATION
SWISS NEXT OPEN INNOVATION
PSL-Dauphine University
SWISS NEXT OPEN INNOVATION
Solar Impulse Foundation
SWISS NEXT DESIGN FACTORY
SWISS NEXT DESIGN FACTORY
SWISS NEXT MOBILE WORKING
SWISS NEXT SYNAPSE
Synapse
EXPLORE


ation

BNP Paribas Wealth Management's Client Experience: Unveiling New Innovative Features.

Customer Experience

"We launched the Client Experience programme to serve and satisfy our clients in a personalized, seamless and secure way by adapting all of our services to all aspects of the client's life. We are now rolling out all these innovative solutions in our key markets."

Vincent Lecomte Co-CEO of BNP Paribas Wealth Management

In 2017, BNP Paribas Wealth Management announced its new "Client Experience", created jointly with clients and in partnership with fintechs.
Nearly 400 clients, private bankers and experts from BNP Paribas Wealth Management came together in three Design Factories in Europe and Asia to combine their knowledge and come up with innovations in line with this new client experience.

"We have adopted new ways of working with agile, multidisciplinary teams who have worked together in partnership with bank clients – often entrepreneurs as part of a co-construction approach."

Sofia Merlo - Co-CEO of BNP Paribas Wealth Management

Each of all new digital solutions is improving a part of our clients' journey by giving them the power to manage the banking relationship the way they want to, from starting their relationship with us or seizing investment opportunities to ensuring the highest level of security.
In Switzerland our ebanking **myWealth** has been enriched with **a smartphone application** with a new service from the Client Experience Programme offering tailor-made recommendations to our clients under advisory agreements.
With **myWealth** our clients stay advised anytime and anywhere.

Commodity Trade Finance is a complex business in itself, involving many actors in the chain: banks, customers, logistics providers, insurers, inspectors... In order to secure financing, a physical guarantee, called "collateral", is taken on the underlying goods.

MyCollat: a new approach to collateral management

MyCollat is a platform built to facilitate collateral management and sharing of commodity finance transactions by using **Blockchain** technology. It increases **traceability, data security & transparency** by following the goods from sourcing at origin to final destination. The solution was **co-designed with our corporate clients.**

MyCollat has made the sharing of collateral information much more efficient while ensuring regulatory compliance and risk exposure management. Moreover, **it positions the bank at the forefront of innovative solutions development.**

BNP Paribas launches WAI Boost in Switzerland: an accelerator connecting Corporates and startups.

WAI Boost - We Are Innovation: a unique co-innovation programme

With innovation at the heart of its strategy, BNP Paribas aims to **anticipate changes and transform them into opportunities for its clients** to help them shape the world of tomorrow.

Combining global champions and a high number of startups with a culture of innovation, Switzerland is the ideal place for BNP Paribas to launch this initiative in response to corporate clients seeking areas of development.

WAi BOOST SWITZERLAND

SWISS NEXT

TRANSFORMATION
DIGITALISATION
INNOVATION

This one-day event dedicated to innovation fostered many discussions and discoveries on the latest digital trends in the banking sector, but also ongoing transformation projects in BNP Paribas in Switzerland.

Our priority: our customers

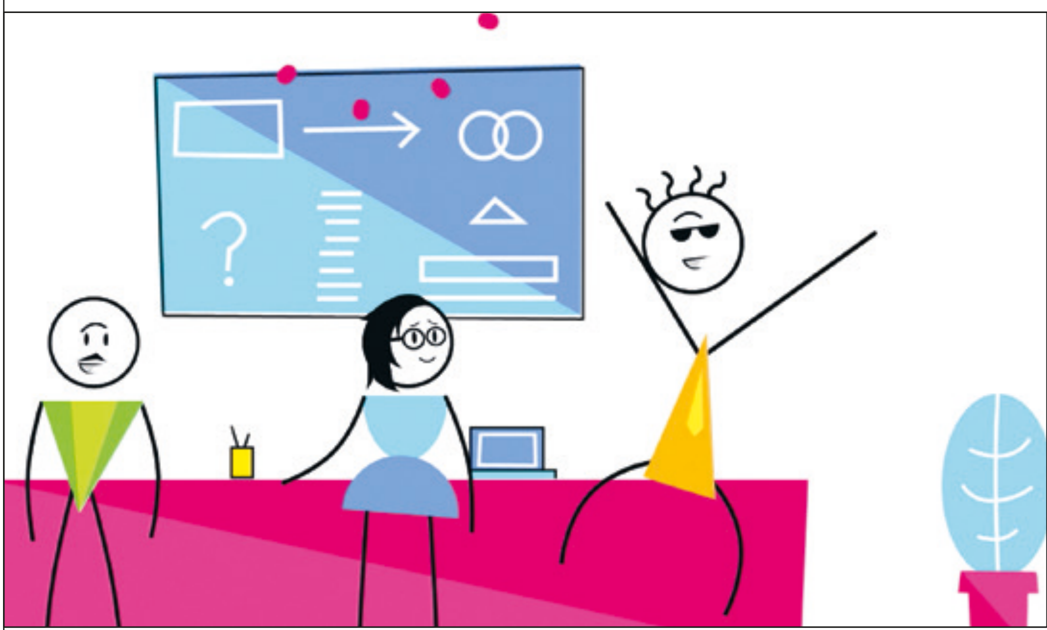
"There is a good atmosphere for innovation in French companies."

Isabelle Jacob-Nebout,
Head of Development at
BNP Paribas in Switzerland

Small teams from all sectors of the bank work together to stimulate innovative ideas. *"There are a lot of creative minds in the bank, and those resources have to be used".*

The internal incubator of BNP Paribas in Switzerland, Colibri, allows to implement transformation projects quickly and efficiently, in an entrepreneurial, agile and collective mindset inspired by startups. It has already delivered in two years ten projects chosen as strategic. With Colibri, everyone becomes a real actor of “work differently”.

The internal incubator of innovation



Incubations take place in three phases, with external and internal client tests. Colibri also calls on startups and other accelerators to compare needs and existing solutions. Our partnerships with the University of Geneva and PSL Dauphine also come into play to enrich our methods.

More than 200 people have been involved and supported by their managers to be part of these ten projects. Colibri develops **a motivating intrapreneurship spirit for everyone and allows the diffusion of new working methods in the entire bank.**

Engag

ement

BNP Paribas in Switzerland strengthens its Commitment strategy and becomes a partner of the Solar Impulse Foundation.

Partner of the Solar Impulse Foundation

Through this partnership, BNP Paribas in Switzerland and the Solar Impulse Foundation together commit to promote concrete solutions for the improvement of quality of life, that are sustainable both at an economic and at an ecological level.

SOLARIMPULSE
AROUND THE WORLD IN A SOLAR AIRPLANE

As part of a new partnership with the Solar Impulse Foundation, BNP Paribas in Switzerland is involved with the programme **"World Alliance for Efficient Solutions".** This initiative – the principal action of the Solar Impulse Foundation – was launched by Bertrand Piccard following the First Round- The-World Solar Flight, with the aim of helping governments and businesses to adopt more ambitious energy policies and **to fulfill their environmental objectives by adopting clean and cost-effective technologies.**

Through its support of the Solar Impulse Foundation, BNP Paribas in Switzerland offers its know-how in terms of risk management and provides its employees with voluntary missions that the bank widely encourages in Switzerland.

Helvetia Environnement and BNP Paribas
in Switzerland: a Green Bond success story.

An innovation for a greener financing

Helvetia environnement

BNP Paribas in Switzerland is financing part of the acquisition of Swiss Recycling Services by Helvetia Environnement and thus becoming the future leader in the Swiss waste management market.

BNP Paribas in Switzerland has persuaded the customer to leave bridging financing by issuing a green bond.
For BNP Paribas it is an interesting Swiss local financing, which has been provided thanks to the international experience and collaboration of all involved employees. It was the team who made the difference through the whole process at all levels.

Created in 2002, the BNP Paribas Swiss Foundation has assigned itself the task of promoting dialogue between the bank and its surrounding environment. The Foundation took the opportunity of its 15th anniversary to promote throughout the year the different initiatives led in the social, cultural as well as environmental area.

The BNP Paribas Swiss Foundation celebrated its 15th anniversary

On the occasion of this anniversary, BNP Paribas Swiss Foundation dressed up Hollande building's frontage in Geneva for a month to illustrate its commitments. A huge artwork designed by some students from Geneva's Haute Ecole d'Art et de Design (HEAD) – a historical partner of the Foundation.

This event marked the culmination of a series of events organized throughout the year with the partners of the Foundation.

Partnership between Raleigh International and BNP Paribas (Suisse) SA: sharing the same values.

The commitment in a humanitarian partnership

In June 2016, BNP Paribas (Suisse) SA and Raleigh International agreed upon a three year partnership. The aim of this collaboration is **to work towards the reconstruction and sustainable development of Nepal,** hit by violent earthquakes in 2015 with devastating consequences. The bank's support will be more specifically dedicated to **improving water supply infrastructures and sanitary equipment**, while lying on the participation of local populations and young volunteers from around the globe.

In this context, BNP Paribas (Suisse) SA also offers the chance to a dozen of its employees over the next three years to go and help Raleigh's teams in Nepal, by taking part in 2 to 8 weeks field missions.

BNP Paribas and the Swiss Open, a real partnership

For three years now, the BNP Paribas Swiss Foundation has been very proud to support the Swiss Open, an international wheelchair tennis tournament. Every year it gathers the best players over the world in Geneva. In 2017, the tournament was celebrating its 30th anniversary! Since its creation in 2002, the Foundation's mission has been to encourage talent. At the Swiss Open there are many!

BNP Paribas in Switzerland and the Swiss Open have found an exceptional partnership to share their values: to try harder and to push yourself. Each year many volunteers want to help and organize the tournament. It is a long story between BNP Paribas and Tennis!

Forming part of the Diversity IFS project, the MixCity association is most specifically dedicated to the issue of women in Business. This network has already existed within the Group for several years.

The role of women in the workplace

The ambition of the "MixCity Switzerland" association is to enable women of the Group in Switzerland to benefit from the strength of a network of experienced female professionals, firstly by providing a space for dialogue, sharing and mutual assistance, and secondly by implementing specific actions to assist women in their professional development.

Our aim is to work to ensure that the role of women in Business is valued and encouraged, to provide solutions to issues such as access for women to positions of responsibility, to remove the barriers that still sometimes prevent candidates from emerging, and so on.

MixCity
SWITZERLAND
A BNP PARIBAS NETWORK

BNP Paribas in Switzerland strengthens its commitment to the 7th Art by supporting the first edition of "Rencontres 7e Art Lausanne".

Rencontres 7e Art Lausanne

The bank is backing the first edition of this annual international event set up by the actor, director and photographer Vincent Perez.

For this **first edition**, around thirty films have been presented, well-known or less renowned, and other treasures from the Swiss film library. This new annual event is a global concept which envolves the public in a reflection between heritage and prospective. Some prestigious international directors whose cinematographic work have nourished the history of cinema and marked the collective imagination are also invited.

Report of the Statutory Auditor

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Report of the Statutory Auditor

To the General Meeting of
BNP Paribas (Suisse) SA, Geneva

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of BNP Paribas (Suisse) SA, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, statement of equity and notes to the consolidated financial statements (pages 33 to 75), for the year ended December 31, 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with the requirements of Swiss law and the consolidation and valuation principles as set out in the notes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

BNP Paribas (Suisse) SA
Report of the statutory auditor
For the year ended
December 31, 2017

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2017 give a fair view of the patrimony, of the financial position and of the results according to the Swiss law and the consolidation and valuation principles as set out in the notes.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte SA

Alexandre Buga
Licensed Audit Expert
Auditor in Charge

Vida Gratteau

Geneva, March 15, 2018
AB/VGR/nvi

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