



**R.C.S. Luxembourg: B 24 784**

19, rue Eugène Ruppert  
L-2453 Luxembourg

Annual report 2017:

Audited annual accounts  
for the year ended  
31 December 2017 and  
report of the  
Réviseur d'Entreprises Agréé

# **BNP Paribas Fortis Funding**

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To the shareholders of  
BNP Paribas Fortis Funding S.A.  
19, rue Eugène Ruppert  
L-2453 Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

### Report on the Audit of the Annual Accounts

#### *Opinion*

We have audited the Annual Accounts of BNP Paribas Fortis Funding S.A. (the "Company"), which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and notes to the Annual Accounts, including a summary of significant accounting policies.

In our opinion, the accompanying Annual Accounts give a true and fair view of the financial position of BNP Paribas Fortis Funding S.A. as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the Annual Accounts.

#### *Basis for Opinion*

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier* (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the *Réviseur d'Entreprises Agréé* for the Audit of the Annual Accounts" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Annual Accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Annual Accounts of the current period. These matters were addressed in the context of the audit of the Annual Accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<b>Existence and potential impairment of loans to affiliated undertakings and investments held as fixed assets</b>	
The activity of the Company mainly consists in reinvesting proceeds collected from the issuance of debt securities in loans to affiliated undertakings and investments held as fixed assets as detailed in notes 3 and 4 to the annual accounts. In this context, we have assessed the risk related to existence and to the potential impairment of these assets as a key audit matter.	<p>Our audit procedures focused on the following elements:</p> <ul style="list-style-type: none"> <li>- reviewing the design and implementation of internal controls especially reconciliation processes and oversighting of the operations by the Board of Directors;</li> <li>- performing a direct confirmation process for all loans to affiliated undertakings and investments held as fixed assets;</li> <li>- collecting evidence about the credit quality of the counterparty.</li> </ul>

## Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the report from the Board of Directors but does not include the Annual Accounts and our report of the *Réviseur d'Entreprises Agréé* thereon.

Our opinion on the Annual Accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Annual Accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual Accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

## ***Responsibilities of the Board of Directors and Those Charged with Governance for the Annual Accounts***

The Board of Directors is responsible for the preparation and fair presentation of these Annual Accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the Annual Accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## ***Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the Annual Accounts***

The objectives of our audit are to obtain a reasonable assurance about whether the Annual Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *Réviseur d'Entreprises Agréé* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Annual Accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual Accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *Réviseur d'Entreprises Agréé* to the related disclosures in the Annual Accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *Réviseur d'Entreprises Agréé*. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Accounts, including the disclosures, and whether the Annual Accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Annual Accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

We have been appointed as *Réviseur d'Entreprises Agréé* by the Board of Directors on 8 September 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

The report from the Board of Directors is consistent with the Annual Accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

## **Other matter**

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, *Cabinet de Révision Agréé*

A handwritten signature in black ink, appearing to read 'O. Lefèvre', with a large, sweeping underline.

Olivier Lefèvre, *Réviseur d'Entreprises Agréé*  
Partner

15 March 2018

**BNP Paribas Fortis Funding**

Public limited company

Registered office: L-2453 Luxembourg, 19, rue Eugène Ruppert

R.C.S. Luxembourg B 24 784

(hereinafter referred to as the “Company”)

**Report from the Board of Directors**

Dear Sirs,

We are pleased to submit to you for approval, the annual accounts for the financial year ended 31 December 2017.

As at 31 December 2017, the total balance sheet amounts to EUR 3,991,551,995.45 compared to EUR 4,662,647,188.60 as at 31 December 2016.

The Company issued securities (amongst which retail offers to the public in Belgium and in the Grand-Duchy in Luxembourg) which are split as follows:

	31 December 2017	31 December 2016
Subordinated notes	119,675,686.93	448,763,717.49
Fixed interest rates notes	1,130,717,995.90	1,393,012,977.69
Floating rates notes	243,690,372.19	290,231,175.25
Variable coupon notes	1,706,881,328.75	1,866,286,713.91
Variable redemption notes Credit Linked	0.00	5,734,000.00
Variable redemption notes Index Linked	531,259,114.09	321,424,335.29
Variable redemption notes Other	57,849,192.33	37,648,109.36
Commercial Papers	0.00	97,371,080.25
<b>TOTAL</b>	<b>3,790,073,690.19</b>	<b>4,460,472,109.24</b>

The amounts presented above represent the nominal in countervalue EUR of the issuances.

The accrued interest payable linked to these issuances amount to EUR 37,857,995.45 (31 December 2016: EUR 51,383,341.18).



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During the year 2017, the Company issued several securities and faced several redemptions and reductions (buy-backs and call notes) as follows (excluding the commercial papers issued):

Type of product	New Issues			Redemptions/Reductions			Foreign exchange by category	Total
	Number	Ccy	In Euro	Number	Ccy	In Euro	In Euro	In Euro
Subordinated notes				6	EUR	-325,000,000.00		
<b>Total</b>				<b>6</b>		<b>-325,000,000.00</b>	<b>-4,088,030.56</b>	<b>-329,088,030.56</b>
Fixed interest rate notes				4	EUR	-149,737,567.00		
				1	NOK	-13,000,234.40		
				1	USD	-13,992,374.16		
				1	TRY	-2,629,456.93		
<b>Total</b>				<b>7</b>		<b>-179,359,632.49</b>	<b>-82,935,349.30</b>	<b>-262,294,981.79</b>
Floating rate notes	8	EUR	137,917,000.00	1	AUD	-11,427,677.08		
	2	USD	16,652,789.34	3	EUR	-58,640,000.00		
				1	NOK	-124,312,227.23		
<b>Total</b>	<b>10</b>		<b>154,569,789.34</b>	<b>5</b>		<b>-194,379,904.31</b>	<b>-6,730,688.09</b>	<b>-46,540,803.06</b>
Variable coupon notes	5	EUR	54,700,000.00	18	EUR	-202,141,000.00		
	6	USD	20,184,845.96	0	USD	-9,173,672.27		
<b>Total</b>	<b>11</b>		<b>74,884,845.96</b>	<b>18</b>		<b>-211,314,672.27</b>	<b>-22,975,558.85</b>	<b>-159,405,385.16</b>
Credit linked notes				2	EUR	-5,734,000.00		
<b>Total</b>				<b>2</b>		<b>-5,734,000.00</b>		<b>-5,734,000.00</b>
Index linked notes	24	EUR	255,765,000.00	17	EUR	-43,091,000.00		
<b>Total</b>	<b>24</b>		<b>255,765,000.00</b>	<b>17</b>		<b>-43,091,000.00</b>	<b>-2,839,221.20</b>	<b>209,834,778.80</b>
Other					EUR	-1,096,000.00		
	1	USD	27,855,120.73		USD	-3,734,850.22		
<b>Total</b>	<b>1</b>		<b>27,855,120.73</b>			<b>-4,830,850.22</b>	<b>-2,823,187.54</b>	<b>20,201,082.97</b>
<b>TOTAL GENERAL</b>	<b>46</b>		<b>513,074,756.03</b>	<b>55</b>		<b>-963,710,059.29</b>	<b>-122,392,035.54</b>	<b>-573,027,338.80</b>

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As at 31 December 2017, the Company shows a profit amounting to EUR 470,996.77 compared to a profit amounting to EUR 135,537.31 for the year 2016 which is summarized as below:

In EUR	31 December 2017	31 December 2016
Interests margin	1,471,182.69	1,713,241.85
Exchange result	-10,544.58	-3,977.95
Amortization fees	-28,085.59	-160,125.71
Taxes	-209,074.43	-91,361.58
Other operating expenses	-9,377,761.83	-6,309,581.71
Other operating income	8,625,280.51	4,987,342.41
<b>Total</b>	<b>470,996.77</b>	<b>135,537.31</b>

The increase in profit is mainly explained by the following elements:

- 1) Decrease of the interest margin amounting to EUR 1,713,241.85 in 2016 against EUR 1,471,182.69 in 2017; this variation is mainly due to maturity of old issuances with a 13.5bp margin which are replaced by issuances with a 6bp margin and to a decrease of the stock.
- 2) Decrease of the amortization on option premiums paid as follows (\*):

In EUR	31 December 2017	31 December 2016
Amortization premium paid	-2,028,371.09	-2,942,019.77
<b>Total</b>	<b>-2,028,371.09</b>	<b>-2,942,019.77</b>

The option premiums are amortized over the life of the corresponding security issuance retrospectively as from 1 January 2010.

- 3) Decrease of the expenses relating to bond issuances as follows (\*\*):

In EUR	31 December 2017	31 December 2016
Amortization of expenses related to bond issues	-73,026.15	-130,603.22
Amortization of syndication commissions	-10,812,006.44	-12,948,449.12
<b>Total</b>	<b>-10,885,032.59</b>	<b>-13,079,052.34</b>

The expenses are amortized over the life of the corresponding security's issuance.

- 4) Decrease of the net amortization of the upfront fees received as follows (\*):

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In EUR	31 December 2017	31 December 2016
Amortization of upfront fees paid	0.00	-7,851.00
Amortization of upfront fees received	2,101,741.66	3,035,200.76
<b>Total</b>	<b>2,101,741.66</b>	<b>3,027,349.76</b>

The upfront fees are amortized over the life of the corresponding security's issuance. Furthermore, for the upfront fees received the residual life of the corresponding security's issuance is longer than for the upfront fees paid.

- 5) Decrease of the amortization of the premiums received on borrowings as follows (\*\*):

In EUR	31 December 2017	31 December 2016
Amortization of premium received on borrowings	10,783,065.20	12,833,596.64
<b>Total</b>	<b>10,783,065.20</b>	<b>12,833,596.64</b>

- 6) Amortization on break up fees related to early termination of some loans and amortization on premium above/under par on bonds purchased from BNP Paribas Fortis – Belgium.

These amortizations started in August 2017 and are booked over the life of the corresponding bond issuance.

In EUR	31 December 2017	31 December 2016
Amortization of break up fees on loans gain	2,573,860.14	
Amortization of break up fees on loans losses	-17,187.01	
Amortization of premium under par on bonds purchased	17,191.43	
Amortization of premium above par on bonds purchased	-2,573,353.33	
<b>Total</b>	<b>511.23</b>	

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- 7) Increase of the taxes expenses amounting to EUR 91,361.58 in 2016 against EUR 209,074.43 in 2017 (as profit is higher for the year ended 31 December 2017).
- 8) The net variation of other operating expenses and income is mainly explained by the amortization, from 2017, of the prescriptions funds: prescriptions elapsed and for which the cash balance not claimed, within the legally described time frame, by the investors are reimbursed to the Company by the paying agent.  
When received, they are booked in balance sheet under the caption "Other creditors". They are amortized over 5 years from the year ended 31 December 2017; amortization amounts to EUR 622,372.55.

\* Historically when concluding a derivative on an equity linked product, the Company used to receive an Upfront fee on the IRS and used to pay an Option premium on the equity component of the hedge. Point 2) above relates to the amortization of such option premium paid (for most of the case) and point 4) above relates to the amortization of such upfront fee received (for most of the case).

\*\* Upon issuance, the client pays a premium over par (most of the time) which is used to cover the syndication / distribution costs. Point 3) above relates to the amortization of such premium (syndication commission) paid to syndication and point 5) above relates to the amortization of such premium received by BP2F (premium received on borrowings).

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The Board of Directors decides to propose to the Shareholders’ General Meeting the following allocation:

	<b>Share premium account EUR</b>	<b>Legal reserve EUR</b>	<b>Other reserves EUR</b>	<b>Profit brought forward EUR</b>
Balance as at December 31, 2017	1,500,000.00	50,000.00	769,393.75	1,204,608.08
Profit for year ended 2017	-	-	-	470,996.77
Transfer of the 2012 special reserve to profit brought forward	-	-	(201,325.00)	201,325.00
Allocation to the special reserve related to the net wealth tax 2018	-	-	112,350.00	(112,350.00)
Dividends	-	-	-	(550,000.00)
Balance after allocation	<u>1,500,000.00</u>	<u>50,000.00</u>	<u>680,418.75</u>	<u>1,214,579.85</u>

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The profit for the year amounts to EUR 470,996.77.

The result to be carried forward will amount to EUR 9,971.77 and is composed of the following:

- The release of an amount of EUR 201,325.00 from the reserve 2012 for the net wealth tax
- The crediting of the reserve 2018 for the net wealth tax for an amount of EUR 112,350.00 ( $22,470.00 \times 5$ ) derived from the net wealth tax 2018 (EUR 22,470.00)
- The dividends to distribute for EUR 550,000.00
- The result of the year for EUR 470,996.77

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### **Reporting obligations and evolution of the legal ground**

The Company fulfils its reporting obligations towards the local authorities and, with regard to the law of January 11, 2008 (as supplemented or amended from time to time) on transparency requirements for issuers of securities (the "Transparency Law"), the Company has signed in 2009 an agreement for OAM (Officially Appointed Mechanism) with BNP Paribas Securities Services, Luxembourg Branch (following the transfer on April 1, 2010 of the securities services activities of BGL BNP Paribas - Luxembourg to BNP Paribas Securities Services, Luxembourg branch).

It has to be noted that the Company doesn't provide post issuance information to the investors of its notes.

Certain obligations set out in Regulation (EU) No 648/2012 of the European Parliament and of the Council of July 4, 2012 on OTC derivatives, central counterparties and trade repositories, commonly referred to as the European Market Infrastructure Regulation (EMIR) are relevant for the Company that took actions to comply with such obligations:

- The Company is classified as a Non-Financial Counterpart (NFC) under EMIR and shall **report** (as from 2014) to a so-called trade repository the entry into, amendment of, and termination of any derivatives contract that is within the scope of EMIR. There is no exemption on this matter for intra-group derivatives contracts.
- Under EMIR, OTC derivatives shall be **cleared** (as from 2015) through a central counterparty if certain thresholds are met. Such thresholds are not expected to be exceeded by the Company (that is classified as NFC- towards its derivatives counterparts) but should it be the case, the Company intends to request to benefit from the exemption of clearing obligation for intra-group transactions.
- EMIR requires the Company to put in place risk-mitigation techniques for OTC derivatives contracts that are not cleared. It has been implemented by the Company mainly via (i) a procedure to ensure timely confirmations and portfolio reconciliation with its derivatives counterparts and (ii) amendments to the existing ISDA Master Agreements to cover the dispute resolution and to give certain representations within the framework of EMIR.



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### **Main inherent risks**

The Board of Directors will also give below a general overview of the main inherent risks faced by BNP Paribas Fortis Funding and of the relevant mitigating factors. This overview is given as of the date of this report. The risks applicable to BNP Paribas Fortis Funding and the corresponding risk management methods can change from time to time.

The main inherent risks faced by BNP Paribas Fortis Funding can be broken down into the following categories:

#### **1) Operational risk:**

The operational risk is the risk of loss resulting from inadequate or failed internal processes or systems, human error, external events or changes in the competitive environment that damage the franchise or operating economics of a business.

Furthermore, in order to mitigate the risks, the Company hired in 2013 two part time employees of BNP Paribas Fortis SA/NV.

Before deciding on the issuance of any debt securities, each Director shall comply with the terms of paragraphs 1 and 2 of Article 441-7 of the Luxembourg Law on commercial companies dated 10 August 1915, as amended, and as coordinated by the Grand-Ducal regulation dated 5 December 2017 (the “1915 Law”), providing that:

“Any director having an interest in a transaction submitted for approval of the board of directors conflicting with that of the company, shall be obliged to advise the board thereof and to cause a record of his statement to be included in the minutes of the meeting. He may not take part in these deliberations.

At the next following general meeting, before any other resolution is put to vote, a special report shall be made on any transactions in which any of the directors may have had an interest conflicting with that of the company.”

BNP Paribas Fortis Funding publishes from time to time (base) prospectuses to offer, place or/and list securities within the framework of its business activity as foreseen in its article of association.

As required by the Luxembourg law on prospectuses and the relevant regulations as the case maybe, the Company takes responsibility for the information contained in these prospectuses (with the limitations specified in these ones).

The base prospectus of the euro medium term note programme (EMTN) of the Company (as supplemented from time to time) was updated and approved by the *Commission de Surveillance du Secteur Financier* in Luxembourg on June 9, 2017 in order to comply with the amended prospectus directive and its regulations.

The EMTN programme of the Company is mainly used to launch plain vanilla and fixed income products.

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The Company also acts as issuer (with BNP Paribas Fortis as guarantor) under the base prospectus dated June 9, 2017 (as supplemented) in respect of the issuance of unsubordinated notes under the note, warrant and certificate programme of BNP Paribas Issuance B.V., BNP Paribas and BNP Paribas Fortis Funding. That base prospectus has been approved by the French *Autorité des marchés financiers* (the “AMF”) in compliance with the prospectus directive 2003/71/EC (as amended).

The base prospectuses of the Company are published on its website [www.bp2f.lu](http://www.bp2f.lu) (the distribution of these documents being restricted by law).

### 2) Legal risk:

In case of any potential legal risk (e.g. license requested by a sponsor of an index, claim received from a noteholder or an investor), the Company will request advices from the legal department of its parent company and advices from an external legal advisor if it is required by an executive manager of the Company or by one member of the Board of Directors.

The Luxembourg prospectus law contains administrative sanctions in case of breach. As the Company also makes offers to the public in other jurisdictions, it may be exposed to the penal or/and administrative sanctions foreseen in the relevant local prospectus law or/and in other relevant local rules or regulations.

Furthermore, the Company follows the compliance rules defined by its parent company in term of reputational risk and compliance with laws and regulations applicable to the Company.

### 3) Tax risk:

In case of any potential tax risk, the Company requests advices from the tax specialists of its parent company and advices from an external tax advisor if it is required by one member of the Board of Directors.

### 4) Financial risk:

It encompasses two types of risk: credit risk and market risk as defined below:

- Credit risk is the risk that a borrower or counterparty will no longer be able to repay its debt;
- Market risk refers to the potential loss resulting from unfavourable market movements, which can arise from trading or holding positions in financial instruments.

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Within the framework of the funding operations, BNP Paribas Fortis Funding hedges with BNP Paribas Fortis, BNP Paribas Arbitrage S.N.C. or possibly with BNP Paribas its exposures to various types of risks by using common OTC/derivatives instruments such as swaps and options from the issue date or strike date of each funding operation, for all the duration of such funding operation, and for the full amount of the related funding operation. As a general rule, the documentation of a derivative transaction of the Company shall refer to the documentation of the related funding transaction (the documentation of the related notes prevailing in case of discrepancy with the swap). Therefore the structure of each funding operation matches with the various related hedging transactions in terms of economics and in terms of documentation.

Nevertheless, when the Company enters into a derivative transaction with a view to hedging the issuance of the notes, an exact match between the terms of the Notes and the terms of the derivative transaction to hedge the exposure of the Company under the notes is impracticable. Where the hedge is governed by an ISDA Master Agreement, there may be events, such as illegality affecting the ability of one of the parties to perform its obligations under the hedge or various party specific defaults events, which may not be reflected exactly in the terms of the notes, and which could result in the hedge being terminated early, but with the notes remaining outstanding. Similarly, changes in tax treatment could affect the hedge but not the notes or vice versa. Therefore, the provision in a derivative confirmation stating that the documentation of the related notes prevails in case of discrepancy with the swap is only a way for the Company to mitigate the risk of mismatch (but doesn't enable to remove the risk entirely).

BNP Paribas Fortis Funding is currently only exposed to a counterparty risk (i) on BNP Paribas Fortis (as hedging counterpart, as borrower under the loans granted by the Company, and as issuer of the bonds purchased by the Company), and (ii) on BNP Paribas Arbitrage S.N.C. (as hedging counterpart).

To avoid exposure to a credit risk on a paying agent under its debt issuance Programmes, BNP Paribas Fortis Funding has followed the market practice and has included a wording in the documentation of its debt issuance programmes to be discharged from its payment obligations towards the noteholders as soon as the payments have been made on time to the relevant principal paying agent.

For the avoidance of any doubt, BNP Paribas Fortis Funding does not hold a trading portfolio and is then not exposed to a trading risk, i.e. in case of changes in the market price of positions held in capital market instruments.

## **BNP Paribas Fortis Funding**

Public limited company

Registered office: L-2453 Luxembourg, 19, rue Eugène Ruppert

R.C.S. Luxembourg B 24 784

(hereinafter referred to as the "Company")

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### 5) Liquidity risk:

The liquidity risk is the risk that BNP Paribas Fortis Funding, though solvent, either does not have sufficient financial resources available to meet its obligations when they fall due, or can secure or sell its assets only at excessive cost.

This risk is mitigated by the Board that follows the Liquidity Risk Policy published by the parent company of BNP Paribas Fortis Funding by applying it to the Company. Such policy explicitly mentions that the bank must maintain sufficient cash and liquid assets to meet its current and future financial obligations at all times, in normal and in stressed circumstances, for all its banking and financial activities, including special purpose vehicles and all legal entities.

### 6) Settlement risk:

BNP Paribas Fortis Funding is responsible for the cash management on a daily basis by monitoring the cash balances of the Company. Furthermore, the Company has implemented a payment procedure approved by the Board of Directors and agreed by BGL BNP Paribas S.A. acting as account bank of the Company.

A contract and a convention for Multiline were signed in January 2015 between the Company and BGL BNP Paribas and the Company began to use this electronic payment tool from beginning of February 2015.

### Information to be sent to the parent company

BNP Paribas Fortis Funding is a subsidiary of BNP Paribas Fortis. BNP Paribas Fortis is authorized and supervised by European Central Bank (ECB) and by the National Bank of Belgium, boulevard de Berlaimont 14, 1000 Brussels, and is also under the supervision on investor and consumer protection of the Financial Services and Markets Authority (FSMA), rue du Congrès 12-14, 1000 Brussels and is authorized as insurance agent under FSMA number 25789 A.

The National Bank of Belgium, BNP Paribas Fortis supervisor on a consolidated basis, has granted its approval for using the most advanced approaches for calculating the own funds requirements under Basel II. This means that BNP Paribas Fortis applies the Advanced Internal Ratings Based Approach (AIRBA) to credit risk and the Advanced Measurement Approach (AMA) to operational risk for the majority of its portfolio.

Besides, BNP Paribas Fortis uses 'economic capital' as a consistent and comparable measure of risk across all risk types and geographies. It serves as an indicator of Value at Risk (VaR).

BNP Paribas Fortis Funding shall report to its parent company with the relevant information to enable BNP Paribas Fortis to apply these methods on a consolidated basis.



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The Board of Directors examined the annual accounts as at 31 December 2017 of BNP Paribas Fortis Funding on 14 March 2018 and authorized their publication.

The Board of Directors of BNP Paribas Fortis Funding declares that, to its knowledge, the annual accounts as at 31 December 2017 of BNP Paribas Fortis Funding established in accordance with Luxembourg and regulatory requirements relating to the preparation of the annual accounts, give a faithful and honest image of the assets and liabilities, financial position and profits or losses of BNP Paribas Fortis Funding. The management report presents the evolution accurately, the results and the situation of BNP Paribas Fortis Funding and a description of the principal risks and uncertainties with which they are confronted.

No material subsequent events occurred to the Company since 31 December 2017.

## **BNP Paribas Fortis Funding**

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### **Strategy related to BNP Paribas Fortis Funding**

The issuances that the Company is proposing, via BNP Paribas Fortis SA/NV acting as distributor, to different investor types and the lending of the proceeds of these transactions to its parent company, through loans or bonds issued by its parent company, is an important element of the funding policy of BNP Paribas Fortis.

The selling of structured notes and other types of bonds demanded by the Retail and Private Banking divisions of BGL BNP Paribas S.A. in Luxembourg or/and BNP Paribas Fortis NV/SA in Belgium is a stable element of the funding mix of BNP Paribas Fortis. On top of this, the Company also proposes tailor made issues (listed or not) for institutional investors.

The Company is independent regarding the issuance decisions.

It is in line with the BNP Paribas group organization to maintain BNP Paribas Fortis, directly or via its subsidiaries, in a position of independency concerning its liquidity and funding management. The Company, with a volume of outstanding debt securities of about EUR 3.8 billion, is an element of diversification in the funding mix of BNP Paribas Fortis. It is a stable element as the demand for this type of investments by the investors has proved to be constant over time.

We also take into consideration that, for the structured notes, the issuance of debts securities by the Company with the guarantee of BNP Paribas Fortis SA/NV remains a practical solution to circumvent the fact that the Belgian National Bank's clearing system cannot handle certain structured financial products.

**BNP Paribas Fortis Funding**

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**Corporate Governance**

The articles of association do not provide any restriction regarding the voting rights of the shareholders and therefore said voting rights are exercised in accordance with the legal provisions in force.

Further to the articles of association, the directors shall be elected by the shareholders at a general meeting, which shall determine their number, remuneration and term of office. The term of the office of a director may not exceed six years and the directors shall hold office until their successors are elected. The directors may be re-elected for consecutive terms of office. The Company does not hold any quoted participations.

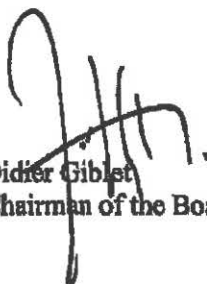
The Company may, to the extent and under the terms permitted by the Law, purchase its own shares; as of today the Company does not hold any own share. As in the articles of association there is no provision regarding authorized capital, the board of directors is not allowed to issue new shares.

There is no specific provision in the articles of association regarding the possibility of amending the articles of association and therefore the articles of association can be amended according to the legal provision set for in article 450-3 of the 1915 Law (as defined above).


There is no specific provision in the articles of association regarding the rights of controls of the shareholders and therefore the shareholders can exercise their rights of controls to the extent and within the limits provided by the relevant Luxembourg applicable legislation.

Based on Art. 52 of the Law of 23 July 2016 concerning the audit profession, the Company is classified as public-interest entity and required to establish an audit committee. In accordance with Art. 52 (5), the Company is exempted to have an audit committee.

Luxembourg, 14 March 2018

  
Didier Giblet  
Chairman of the Board of Directors

For the Board of Directors:

  
Yvon-Pierre ANTONI  
Director



# BNP Paribas Fortis Funding

Balance sheet as at 31 December 2017  
(in EUR)

ASSETS	Notes	31.12.2017	31.12.2016
<b>B. Formation expenses</b>		<b>179,995.61</b>	<b>203,089.63</b>
<b>C. Fixed assets</b>		<b>3,845,235,131.84</b>	<b>4,426,511,659.75</b>
I. Intangible assets		73,905.00	84,240.00
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were		73,905.00	84,240.00
a) acquired for valuable consideration and need not be shown under C.I.3		73,905.00	84,240.00
II. Tangible assets		2,800.70	5,325.29
2. Plant and machinery		2,800.70	5,325.29
III. Financial assets		3,845,158,426.14	4,426,422,094.46
2. Loans to affiliated undertakings	3	1,641,796,894.10	4,426,422,094.46
5. Investments held as fixed assets	4	2,203,361,532.04	-
<b>D. Current assets</b>		<b>49,088,461.14</b>	<b>160,828,040.11</b>
II. Debtors		42,461,969.89	153,868,092.56
2. Amounts owed by affiliated undertakings	5	42,240,306.68	153,507,240.70
a) becoming due and payable within one year		42,240,306.68	153,507,240.70
4. Other debtors		221,663.21	360,851.86
a) becoming due and payable within one year		221,663.21	360,851.86
IV. Cash at bank and in hand		6,626,491.25	6,959,947.55
<b>E. Prepayments</b>	6	<b>97,048,406.86</b>	<b>75,104,399.11</b>
<b>TOTAL (ASSETS)</b>		<b>3,991,551,995.45</b>	<b>4,662,647,188.60</b>
<b>CAPITAL, RESERVES AND LIABILITIES</b>			
<b>A. Capital and reserves</b>	7	<b>4,494,998.60</b>	<b>4,224,001.83</b>
I. Subscribed capital		500,000.00	500,000.00
II. Share premium account		1,500,000.00	-
IV. Reserves		819,393.75	884,159.75
1. Legal reserve		50,000.00	50,000.00
4. Other reserves, including the fair value reserve		769,393.75	834,159.75
b) other non available reserves		769,393.75	834,159.75
V. Profit or loss brought forward		1,204,608.08	2,704,304.77
VI. Profit or loss for the financial year		470,996.77	135,537.31
<b>B. Provisions</b>		<b>173,281.03</b>	<b>54,278.06</b>
2. Provisions for taxation		173,281.03	54,278.06
<b>C. Creditors</b>		<b>3,835,894,518.71</b>	<b>4,522,782,045.40</b>
1. Debenture loans	8	3,827,931,685.64	4,414,219,740.30
b) Non convertible loans		3,827,931,685.64	4,414,219,740.30
i) becoming due and payable within one year		572,204,465.24	752,685,671.21
ii) becoming due and payable after more than one year		3,255,727,220.40	3,661,534,069.09
6. Amounts owed to affiliated undertakings	9	5,388,912.64	7,782,508.59
a) becoming due and payable within one year		5,388,912.64	7,782,508.59
8. Other creditors	10	2,573,920.43	100,779,796.51
a) Tax authorities		37,980.78	37,339.47
c) Other creditors		2,535,939.65	100,742,457.04
i) becoming due and payable within one year		46,483.92	97,742,254.52
ii) becoming due and payable after more than one year		2,489,455.73	3,000,202.52
<b>D. Deferred income</b>	6	<b>150,989,197.11</b>	<b>135,586,863.31</b>
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		<b>3,991,551,995.45</b>	<b>4,662,647,188.60</b>

The accompanying notes form an integral part of the annual accounts.

## BNP Paribas Fortis Funding

Profit and loss account  
for the year ended 31 December 2017  
(in EUR)

PROFIT AND LOSS ACCOUNT	Notes	31.12.17	31.12.16
<b>5. Raw materials and consumables and other external expenses</b>		-1,394,659.01	-1,535,599.20
b) Other external expenses		-1,394,659.01	-1,535,599.20
<b>6. Staff costs</b>	11	-125,813.33	-119,208.98
a) Wages and salaries		-81,126.83	-74,932.62
b) Social security costs		-44,686.50	-44,276.36
i) relating to pensions		-18,208.75	-17,946.95
ii) other social security costs		-26,477.75	-26,329.41
<b>7. Value adjustments</b>		-10,909,592.18	-13,103,626.45
a) in respect of formation expenses and of tangible and intangible fixed assets		-10,909,592.18	-13,103,626.45
<b>10. Income from other investments and loans forming part of the fixed assets</b>	12	63,937,668.66	92,606,975.73
a) derived from affiliated undertakings		63,937,668.66	92,606,975.73
<b>11. Other interest receivable and similar income</b>	13	256,115,719.57	481,287,152.78
a) derived from affiliated undertakings		76,598,681.73	85,439,370.45
b) other interest and similar income		179,517,037.84	395,847,782.33
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>		-12,451,641.33	-7,580,070.19
<b>14. Interest payable and similar expenses</b>	14	-294,491,611.18	-551,328,725.34
a) concerning affiliated undertakings		-29,158,878.96	-37,922,518.99
b) other interest and similar expenses		-265,332,732.22	-513,406,206.35
<b>15. Tax on profit or loss</b>	16	-173,281.03	-54,277.52
<b>16. Profit or loss after taxation</b>		506,790.17	172,620.83
<b>17. Other taxes not shown under items 1 to 16</b>		-35,793.40	-37,083.52
<b>18. Profit or loss for the financial year</b>		470,996.77	135,537.31

The accompanying notes form an integral part of the annual accounts.

## **BNP Paribas Fortis Funding**

Notes to the annual account for the year ended 31 December 2017

### **1 General information**

BNP Paribas Fortis Funding (the “Company”) was incorporated on 24 September 1986 in Luxembourg as a limited liability company (Société Anonyme) for an unlimited period under the name GENFINANCE LUXEMBOURG S.A., which was then changed to FORTIS LUXEMBOURG FINANCE S.A. on 12 November 2001 and to BNP Paribas Fortis Funding on 22 February 2010.

The registered office of the Company is established in Luxembourg. The Company’s financial year starts on 1 January and ends on 31 December each year.

The Company’s object is to provide any direct or indirect financing, by any means, to its subsidiaries, to BNP Paribas Fortis and to companies controlled by BNP Paribas Fortis S.A./NV and to provide to these companies any assistance, loans, advances or guarantees and/or any services for financial or administrative assistance linked to such assistance, loans, advances, guarantees, and services.

Loans are granted under the same conditions as for borrowings, setting aside an intermediation margin.

The Company may conduct any transaction that it deems necessary to accomplish and develop its object, remaining however within the limits allowed by the Law of 10 August 1915 on corporations (as amended, and in particular by the modernisation law dated 10 August 2016).

The Company is included in the consolidated accounts of BNP Paribas S.A. forming the largest body of undertakings of which the Company forms a part as a subsidiary undertaking. The consolidated accounts and the consolidated management report of BNP Paribas S.A. are available at its registered office: 16, Boulevard des Italiens, 75009 Paris, France.

In addition, the Company is also included in the consolidated accounts of BNP Paribas Fortis forming the smallest body of undertakings included in the body of undertakings referred to in the above mentioned paragraph of which the Company forms part as a subsidiary undertaking. The consolidated accounts and the consolidated management report of BNP Paribas Fortis are available at its registered office located at: 3, Montagne du Parc, B-1000 Brussels.

### **2 Significant accounting policies**

The Company prepares its annual accounts in compliance with the legal requirements and generally accepted accounting principles in the Grand-Duchy of Luxembourg. The accounting principles and valuation criteria are defined and implemented by the Board of Directors, apart from those stipulated by the law. The Company applied the “Normalised accounting plan” for the purpose of these audited annual accounts.

## **BNP Paribas Fortis Funding**

Notes to the annual account for the year ended 31 December 2017  
(continued)

### **2.1 Tangible and intangible assets**

Intangible and tangible fixed assets are valued at purchase price including the expenses incidental thereto or at production cost, less cumulated depreciation amounts written off and value adjustments. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. The amortisations are calculated on a straight-line basis over the estimated useful economic life.

### **2.2 Premiums on options**

The Company may take hedge positions through options. Premiums on options are accounted for in deferred charges and income and are amortised prorata temporis over the life of the borrowings to which they are related.

### **2.3 Foreign currency translation**

The subscribed capital of the Company is expressed in euros (EUR) and the annual accounts and the interim financial information are established in the same currency.

During the financial year, the transactions, income and expenses denominated in currencies other than the EUR were recorded using the exchange rate applicable on the transaction date.

At the closing date, the assets and debts expressed in currencies other than EUR are valued on the basis of the exchange rates applicable on that date. Unrealized gains and losses are booked as other financial income / charges in the profit and loss account due to the direct economic link between the transactions. Furthermore, where there is said economic link between two items within a transaction, accounted for in assets and liabilities respectively, and denominated in the same currency, the balance sheet entries are revalued at the closing exchange rate without impacting the profit and loss account.

### **2.4 Debtors**

Debtors are valued at the lower of nominal or estimated net realisable value. A value adjustment is accounted for if, in the opinion of the Board of Directors, a permanent impairment in value has occurred, unless the loss is economically linked to an increase in the value of the loans.

### **2.5 Premiums on amounts receivable**

Premiums on amounts receivable are amortised prorata temporis over the life of the receivable to which they are related.

## **BNP Paribas Fortis Funding**

Notes to the annual account for the year ended 31 December 2017  
(continued)

### **2.6 Prepayments**

This asset item includes expenditures incurred during the financial year but relating to a subsequent financial year.

### **2.7 Deferred income**

This liabilities item includes income received during the financial year but relating to a subsequent financial year.

### **2.8 Creditors**

Creditors are valued at the higher of nominal or repayment value.

### **2.9 Premiums on borrowings**

Premiums on borrowings are accounted for in deferred charges and income, independently of borrowings to which they are associated and are amortised prorata temporis over the life of the borrowings to which they are related.

### **2.10 Investments held as fixed assets**

Investments held as fixed assets are valued in the accounts at purchase price/nominal value including the expenses incidental thereto.

### **2.11 Presentation of the comparative financial information**

The figures for the balance sheet as at 31 December 2016 and profit and loss account for the year ended 31 December 2016 have been reclassified in order to comply with the requirements of the amended Law of 19 December 2002 and to ensure the comparability of the prior year/period financial information as follows:

- the up front fees and amortization of up front fees were reclassified from “Deferred income” to “Amounts owed to affiliated undertakings”,
- the interests payable on derivatives were reclassified from “Other creditors becoming due and payable within one year” to “Amounts owed to affiliated undertakings”,
- the amortization of up front fees were reclassified from “Other interest and similar income” to “Other interest receivable and similar income derived from affiliated undertakings”.

These are presentation considerations and had no impact on the financial position or performance of the Company.

## BNP Paribas Fortis Funding

Notes to the annual account for the year ended 31 December 2017  
(continued)

### 3 Loans to affiliated undertakings

No value adjustment has been made on financial assets, following the historical cost model.

The loan structure granted to BNP Paribas Fortis, the parent company, is as follows:

	31.12.2017 EUR	31.12.2016 EUR
Amounts due within less than one year	572,738,411.19	749,749,573.16
Amounts due over 1 year		
1 to 5 years	987,665,430.08	2,298,381,625.66
5 years or more	81,393,052.83	1,378,290,895.64
	<u>1,069,058,482.91</u>	<u>3,676,672,521.30</u>
Total	<u>1,641,796,894.10</u>	<u>4,426,422,094.46</u>

During the year 2017, BNP Paris Fortis Funding has progressively replace the loan structure granted to BNP Paribas Fortis by purchase of bonds from its parent company (please refer to Note 4).

### 4 Investments held as fixed assets

The bonds purchased from BNP Paribas Fortis, the parent company, are as follows:

	31.12.2017 EUR	31.12.2016 EUR
Amounts due within less than one year	44,990,000.00	-
Amounts due over 1 year		
1 to 5 years	918,500,625.30	-
5 years or more	1,239,870,906.74	-
	<u>2,158,371,532.04</u>	<u>-</u>
Total	<u>2,203,361,532.04</u>	<u>-</u>

During the year 2017, BNP Paris Fortis Funding has purchased bonds from BNP Paribas Fortis to progressively replace the loan structure granted to them until 2016 (please refer to Note 3).

## BNP Paribas Fortis Funding

Notes to the annual account for the year ended 31 December 2017  
(continued)

### 5 Debtors – Amounts owed by affiliated undertakings becoming due and payable within one year

The item “Debtors – Amounts owed by affiliated undertakings becoming due and payable within one year” is as follows:

	31.12.2017 EUR	31.12.2016 EUR
Commercial papers	-	97,371,080.26
Interest receivable on commercial papers	-	278,372.91
Interest receivable on loans	17,952,295.19	30,621,534.02
Interest receivable on derivatives	22,401,963.59	25,236,253.51
Interest receivables on bonds	1,886,047.90	-
Total	<u>42,240,306.68</u>	<u>153,507,240.70</u>

As at 31 December 2017, all commercial papers are matured.

### 6 Prepayments and deferred income

These captions under assets or under liabilities in the balance sheet primarily include the option premiums paid and received, the commissions payable or receivable during the issuance of certain borrowings and the premiums connected to the issuance of certain borrowings, less accumulated amortisation over the expected useful life of the related borrowings. Also, this caption includes the revaluation of the foreign exchange derivative financial instruments at the closing foreign exchange rate.



## BNP Paribas Fortis Funding

Notes to the annual account for the year ended 31 December 2017  
(continued)

### 7 Capital and reserves

#### Subscribed capital

As at 31 December 2017, the issued and fully paid-up share capital of the Company amounts to EUR 500,000.00 consisting of 20,000 registered shares each having a nominal value of EUR 25.00.

The movements for year ended 31 December 2017 are as follows:

	<b>Share premium account</b>	<b>Legal reserve</b>	<b>Other reserves</b>	<b>Profit brought forward</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Balance as at 31 December 2016	-	50,000.00	834,159.75	2,704,304.77
Profit for year ended 2016	-	-	-	135,537.31
Transfer of the 2011 special reserve to profit brought forward	-	-	(185,366.00)	185,366.00
Allocation to the special reserve related to the next wealth tax 2017	-	-	105,600.00	(105,600.00)
Complement to the special reserve related to the net wealth tax 2016	-	-	15,000.00	(15,000.00)
Contribution from retained earning to share premium account	1,500,000.00	-	-	(1,500,000.00)
Dividends paid	-	-	-	(200,000.00)
Balance as at 31 December 2017	<u>1,500,000.00</u>	<u>50,000.00</u>	<u>769,393.75</u>	<u>1,204,608.08</u>

## BNP Paribas Fortis Funding

Notes to the annual account for the year ended 31 December 2017  
(continued)

### Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

### Other reserves

In order to take advantage of the provisions of paragraph 8a of the Net Wealth Tax Law, the Company has elected to get a tax credit for all or part of the net wealth tax due for that year. This tax credit is, however, limited to the amount of the corporate income tax due for the same year before any tax credit. In order to benefit from this provision, the Company commits itself to post to a special reserve (classified in the annual accounts under the caption “Other reserves”) before the end of the financial year an amount equal to five times the net wealth tax to be credited, which has to be maintained for a period of five years.

This reserve is non-distributable during the period of five years from the year following that during which the Net Wealth Tax was reduced.

### Share premium account

An extraordinary meeting was held on 28 February 2017 relating to the contribution from retained earnings to the share premium account for EUR 1,500,000.00 with effect as of 28 February 2017.

## 8 Debenture loans

Amounts due and payable for the accounts shown under “Debenture loans” are as follows:

Non convertible loans	31.12.2017 EUR	31.12.2016 EUR
Within one year	572,204,465.24	752,685,671.21
After one year and within five years	1,925,056,152.79	2,260,444,730.99
After more than five years	1,330,671,067.61	1,401,089,338.10
	<u>3,827,931,685.64</u>	<u>4,414,219,740.30</u>

This item also includes the accrued interest payable as at 31 December 2017 that amounts to EUR 37,857,995.45 (EUR 51,118,711.30 as at 31 December 2016).

## BNP Paribas Fortis Funding

Notes to the annual account for the year ended 31 December 2017  
(continued)

### 9 Amounts owed to affiliated undertakings

	31.12.2017 EUR	31.12.2016 EUR
Interest payable on derivatives	4,038,612.80	4,386,577.73
Up front fees	1,350,299.84	3,395,930.86
Total	<u>5,388,912.64</u>	<u>7,782,508.59</u>

As at 31 December 2016, the up front fees and amortization on up front fees were reclassified from "Deferred income" to "Amount owed to affiliated undertakings" and the interest payable on derivatives were reclassified from "Other creditors becoming due and payable within one year" to "Amount owed to affiliated undertakings" as mentioned in note 2.11 above.

### 10 Other creditors

The item "Other creditors" is as follows:

	31.12.2017 EUR	31.12.2016 EUR
V.A.T. payable	37,980.78	37,339.47
Commercial papers	-	97,371,080.25
Interest payable on commercial papers	-	264,629.88
Fees payable	46,483.92	106,544.39
Other debts payable	2,489,455.73	3,000,202.52
Total	<u>2,573,920.43</u>	<u>100,779,796.51</u>

### 11 Staff costs

For the year ended 31 December 2017, the Company employed 5 persons on a part time basis (31 December 2016: 5 persons on a part time basis).

## BNP Paribas Fortis Funding

Notes to the annual account for the year ended 31 December 2017  
(continued)

### 12 Income from other investments and loans forming part of the fixed assets

The above caption is composed of the following items:

	31.12.2017 EUR	31.12.2016 EUR
Interest on loans	59,210,022.93	92,606,975.73
Interest on bonds	4,727,645.73	-
	<u>63,937,668.66</u>	<u>92,606,975.73</u>

Income from above caption with affiliated undertakings amount to EUR 63,937,668.66 for the year ended 31 December 2017 (2016: EUR 92,606,975.73).

### 13 Other interest receivable and similar income

Other interest receivable and similar income are composed of the following items:

	31.12.2017 EUR	31.12.2016 EUR
Interest on commercial papers and derivatives	67,609,509.99	78,275,463.35
Amortisation of premiums on borrowings	10,783,065.20	12,833,596.64
Amortization of break up fees on loans and premium under/par on bonds	2,591,051.57	-
Upfront fees received	2,101,741.66	3,035,200.76
Gain on foreign exchange securities and bonds*	164,405,070.64	382,155,550.16
Commissions	968,145.15	1,085,829.66
Gains on derivatives (realised)	5,919,284.93	3,042,876.68
Gains on securities (realised)	1,115,477.88	830,119.29
Other	<u>622,372.55</u>	<u>28,516.24</u>
	<u>256,115,719.57</u>	<u>481,287,152.78</u>

\* The gain on foreign exchange securities and bonds presented in note 13 is mainly unrealised and is matched by the loss on foreign exchange on securities and bonds presented in note 14.

## **BNP Paribas Fortis Funding**

Notes to the annual account for the year ended 31 December 2017  
(continued)

The item "Other" above, was essentially made of, for the year ended 31 December 2017, amortization on 5 years of some issuances for which the prescription elapsed and for which the cash balance not claimed (within the legally described time frame) by the investors are reimbursed to the Company by the paying agent.

As at 31 December 2016, the amortization on up front fees were reclassified from "Other interest and similar income" to "Other interest receivable and similar income derived from affiliated undertakings" as mentioned in note 2.11 above.

Other interest receivable and similar income from affiliated undertakings amount to EUR 76,598,681.73 for the year ended 31 December 2017 (2016: EUR 85,439,370.45).

### **14 Interest payable and similar expenses**

Interest payable and similar expenses are composed of the following items:

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>EUR</b>	<b>EUR</b>
Interest on borrowings, commercial papers, interest rate swaps, equity options, equity swaps	-130,075,995.96	-169,169,197.23
Loss on foreign exchange on securities and bonds*	-164,415,615.22	-382,159,528.11
	<u>-294,491,611.18</u>	<u>-551,328,725.34</u>

\* The gain on foreign exchange securities and bonds presented in note 13 is mainly unrealised and is matched by the loss on foreign exchange on securities and bonds presented in note 14.

Interest payable and similar expenses with affiliated undertakings amount to EUR -32,823,490.01 as at 31 December 2017 (2016: EUR -41,646,182.52).

### **15 Advances and loans granted to the members of the management and supervisory bodies**

The Company has not granted any advances or loans to members of administrative or supervisory bodies as at and during the year ended 31 December 2017.

### **16 Tax position**

The Company is subject to Luxembourg tax laws.

## BNP Paribas Fortis Funding

Notes to the annual account for the year ended 31 December 2017  
(continued)

### 17 Derivative financial instruments

The Company uses various derivative instruments contracted with BNP Paribas Fortis S.A./NVs and BNP Paribas Arbitrage S.N.C. for hedging purposes as part of its bond issuing and financing activities to hedge against potential market, foreign exchange or interest rate risk.

The nominal of these derivatives financial instruments are as follows:

	<b>31.12.2017</b> <b>Nominal</b> <b>EUR</b>	<b>31.12.2016</b> <b>Nominal</b> <b>EUR</b>
Interest Rate Swap	1,090,312,874.93	1,171,737,050.75
Equity Swap	1,693,534,948.66	1,669,004,149.21
Cross Currency Interest Rate Swap	252,239,510.51	294,485,671.11

### 18 Related parties transactions

During the financial year 2017, the following significant transactions entered into with related parties:

	<b>BNP Paribas</b> <b>Fortis S.A./NV</b> <b>EUR</b>	<b>Other companies of the</b> <b>group BNP Paribas</b> <b>EUR</b>
<b>Assets</b>		
Loans to affiliated undertakings	1,641,796,894.10	-
Investments held as fixed assets	2,203,361,532.04	-
Amounts owed by affiliated undertakings becoming due and payable within one year	37,751,719.65	4,488,587.03
Cash at bank and in hand	-	6,626,491.25
	<hr/> 3,882,910,145.79	<hr/> 11,115,078.28
<b>Liabilities</b>		
Non convertible loans*	28,942,577.39	80,690,012.71
Amounts owed by affiliated undertakings become due and payable within one year	4,359,558.12	1,029,354.52
	<hr/> 33,302,135.51	<hr/> 81,719,367.23
<b>Charges</b>		
Value adjustments in respect of financial assets and of investments held as current assets	-2,028,371.09	-1,055,359.14
Interest payable and similar expenses**	-22,663,682.06	-10,159,807.95
	<hr/> -24,692,053.15	<hr/> -11,215,167.09
<b>Income</b>		
Income from other investments and loans forming part of the fixed assets	63,937,668.66	-
Other interest receivable and similar income	70,679,396.80	5,919,284.93
	<hr/> 134,617,065.46	<hr/> 5,919,284.93

\* These amounts are a result of acquisitions of bonds by the respective related parties on behalf of third parties (investors) for a short period of time.

\*\* From which EUR -1,124,804.01 are a result of acquisitions of bonds by BNP Paribas Fortis on behalf of third parties (investors) for a short period of time and EUR -2,539,807.04 are a result of acquisitions of bonds by other companies of the group.

## **BNP Paribas Fortis Funding**

Notes to the annual account for the year ended 31 December 2017  
(continued)

### **19 Auditor's fees**

The total auditor's fees, V.A.T. included, are presented as follows:

	<b>31.12.2017</b>	<b>31.12.2016</b>
	<b>EUR</b>	<b>EUR</b>
Audit fees	64,957.72	65,108.34
Audit related fees	12,397.32	12,334.80
Other fees	34,531.64	51,710.16
Total	<u>111,886.68</u>	<u>129,153.30</u>