

**BNP PARIBAS UK LIMITED**

**STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**REGISTERED OFFICE  
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LONDON  
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**REGISTERED NUMBER: 01488108**

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# BNP PARIBAS UK LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The Directors present their Strategic report of BNP Paribas UK Limited ("the Company"), for the year ended 31 December 2017.

### Principal activities

Until September 2017, the principal activity of the Company was to act as underwriter and holder of positions in debt issued by BNP Paribas, the ultimate parent undertaking. In September 2017, under the terms of a Sale and Purchase agreement with BNP Paribas, the ultimate parent undertaking, the Company ceased its principal activity.

Since September 2017 the principal activity of the Company has been to manage its surplus liquidity, via secured financing and cash placings with an external party and BNP Paribas, the ultimate parent undertaking.

### Review of the business

As shown in the Company's income statement, profit for the year was £15 million (2016: £28 million). This decrease is mainly driven by a reduction in dealing profit by £16 million, following the cessation of its principal activity.

Total shareholders' funds for the year ended 31 December 2017 were £297 million (2016: £282 million).

### Business development and performance

Further to the cessation of its underwriting and security holding activity, the Company applied on 10 January 2018 to the Financial Conduct Authority ("FCA") to cancel its authorisation. The application was approved with effect from 7 March 2018.

### Regulatory environment

Until 7 March 2018, the Company was authorised and regulated by the FCA and subject to capital requirements as set out in Regulation (EU) No. 575/2013 and the FCA handbook. The Company complied with the relevant capital requirements throughout the year under review in these financial statements.

### Key performance indicators

The level of attainment of the Company against a set of key performance indicators is monitored by the Board of Directors on an ongoing basis.

#### 1 Regulatory Capital

At 31 December the Company's capital resources were £281.4 million (2016: £253.2 million) and the total capital ratio reported to the regulator was 320.48% (2016: 53.5%).

#### 2 Return on assets

	2017	2016
	4.8%	7.4%

Return on assets is defined as profit for the year divided by total assets. The decrease in 2017 is driven by the decrease in profit on secondary trading activity.

### Principal risks and uncertainties

The Company ceased its trading activities in September 2017. The Company continues to undertake non-trading activities which expose it to financial risks: credit risk, liquidity risk and market risk. Refer to note 2 for more details on financial risk management.

## **BNP PARIBAS UK LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

#### **Future developments**

Following the cessation of the Company's trading activities and the cancellation of its FCA authorisation, the Directors plan to place the Company into liquidation within twelve months from the signing of these financial statements.

On behalf of the Board



**STEPHEN MIDDLETON**

**Director**

**19 April 2018**

# **BNP PARIBAS UK LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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The Directors present their report and the audited financial statements of BNP Paribas UK Limited for the year ended 31 December 2017. The Company is a wholly-owned subsidiary undertaking of Harewood Holdings Limited. The ultimate parent undertaking is BNP Paribas. The Company is incorporated in the United Kingdom and registered in England and Wales.

### **Future developments**

Refer to the Future developments section of the Strategic Report on page 3.

### **Overview of risk management**

The Directors are responsible for identifying risks to which the Company is exposed and implementing a risk management programme. Financial risk is considered to have the highest potential for a loss event and is explained in further detail below.

### **Financial risk management**

In September, the Company ceased its trading activity, which has resulted in reduced exposure to the following financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management programme continues to focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance and position.

Refer to note 2 for more details on financial risk management.

### **Dividends**

During the year, no dividend was declared or paid on the ordinary shares (2016: £ nil). The Directors do not recommend the payment of a final dividend (2016: £ nil).

### **Capital structure**

Details of the share capital are shown in note 16. The Company has one class of ordinary share which carry one vote per share and have no right to dividends other than those recommended by the Directors, and an unlimited right to share in the surplus remaining on a winding up.

Further to the cancellation of the Company's FCA authorisation on 7 March 2018, the Directors plan to reduce the share capital of the Company in the foreseeable future, ahead of placing the Company into liquidation.

### **Charitable and political donations**

No donations were made during the year (2016: £ nil).

### **Directors**

The Directors who held office during the year and to the date of this report were:

Stephane Chassard	Resigned 9 February 2018
Martin Thomas Egan	Resigned 9 February 2018
Stephen Martin Middleton	
Christopher Mark Penney	
Francois Michel Regnier	Resigned 9 February 2018
Donald Paul Reynolds	
Shaun Wainstein	Resigned 9 February 2018

## **BNP PARIBAS UK LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

#### **Directors' third party indemnity provisions**

BNP Paribas, the ultimate parent undertaking has put in place qualifying third party indemnity provisions in the form of a Directors and Officers' insurance policy, for the benefit of the Company's Directors, effective throughout the year and which remain in force at the date of this report.

#### **Going concern and liquidity**

In June 2017, the Directors approved a restructuring plan which would result in:

1. the transfer of the Company's activities to BNP Paribas, the ultimate parent undertaking;
2. an application to the FCA to cancel its permissions; and
3. Steps to be undertaken with the intention of placing the Company into liquidation within twelve months from the date of signing the financial statements.

As a result of the completion of items 1 and 2 above, the Board of Directors intend to place the Company into liquidation within twelve months from the signing of these financial statements.

Accordingly, it is no longer appropriate for the Company to adopt the going concern basis of preparation, and the financial statements will be prepared on a basis other than going concern.

The Directors confirm the Company has adequate financial resources in the form of loan and receivables, and cash and cash equivalents which more than cover any liabilities under which it is currently obligated.

#### **Public disclosure requirements**

##### **Pillar 3 disclosures**

Article 431 of the Capital Requirements Regulation (Regulation No 575/2013) which came into force on 1 January 2014 requires institutions to publicly disclose certain information as defined in Part Eight of the regulation ("Pillar 3"). However, Article 6 (3) of the same regulation exempts subsidiaries from complying with these obligations on an individual basis.

The Company is part of the BNP Paribas Group which publishes the required disclosures on a consolidated basis. These can be found in the Registration Documents & Annual Financial Report which is available online (<https://invest.bnpparibas.com/en/registration-documents-annual-financial-reports>).

#### **Country by country reporting**

The Capital Requirements (Country-by-Country Reporting) Regulations 2013, which implement Article 89 of the Capital Requirements Directive (Directive 2013/36/EU) in the United Kingdom, requires institutions within scope to publish a prescribed list of information on an annual basis. The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into force on 1 January 2014.

The relevant information has been published by the BNP Paribas Group on a consolidated basis for the UK, and can be found in the Registration Document & Annual Report which is available at (<https://invest.bnpparibas.com/en/registration-documents-annual-financial-reports>).

## **BNP PARIBAS UK LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

#### **Independent Auditors and disclosure of information to auditors**

PricewaterhouseCoopers LLP will continue to hold office in accordance with Section 487 of the Companies Act 2006.

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- (a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On behalf of the Board



**STEPHEN MIDDLETON**

**Director**

**19 April 2018**

## **BNP PARIBAS UK LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2017**

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The Directors are responsible for preparing the Strategic report, Directors' report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# **BNP PARIBAS UK LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PARIBAS UK LIMITED**

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, BNP Paribas UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Emphasis of matter - Basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1(a) to the financial statements concerning the basis of preparation. The Directors intend to place the Company into liquidation within twelve months from the date of signing the financial statements. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 1(a) to the financial statements. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# **BNP PARIBAS UK LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BNP PARIBAS UK LIMITED**

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### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Iwan Griffiths (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom  
19 April 2018

**BNP PARIBAS UK LIMITED****INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

		<b>2017</b>	<b>2016</b>
<b>Continuing operations</b>	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Interest income	5	137	-
<b>Net profit before administrative expenses</b>		<b>137</b>	<b>-</b>
Gain on disposal of available-for-sale investments		-	1,679
Administrative expenses	7	(35)	(152)
<b>Operating profit</b>		<b>102</b>	<b>1,527</b>
<b>Profit before taxation</b>		<b>102</b>	<b>1,527</b>
Taxation	9	(28)	(428)
<b>Profit from continuing operations</b>		<b>74</b>	<b>1,099</b>
<b>Profit from discontinued operations</b>	10	<b>14,983</b>	<b>26,904</b>
<b>Profit for the year</b>		<b>15,057</b>	<b>28,003</b>

**BNP PARIBAS UK LIMITED****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
31 DECEMBER 2017**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the year</b>	<b>15,057</b>	<b>28,003</b>
<b>Other comprehensive income / (expense)</b>		
<b>Items that may be reclassified into profit or loss</b>		
Transferred to income statement on disposal of available-for-sale investments	-	(1,779)
Revaluation on available-for-sale investments	-	263
Tax on revaluation on available-for-sale investments	-	424
<b>Total other comprehensive expense</b>	<b>-</b>	<b>(1,092)</b>
<b>Total comprehensive income attributable to equity shareholders</b>	<b>15,057</b>	<b>26,911</b>
Continuing operations	74	1,099
Discontinued operations	10	25,812
	<b>15,057</b>	<b>26,911</b>

**BALANCE SHEET AS AT 31 DECEMBER 2017**

		31 December 2017	31 December 2016
	Note	£'000	£'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Deferred tax assets		-	13
<b>TOTAL NON CURRENT ASSETS</b>		-	13
<b>Current assets</b>			
Trading assets	11	-	353,916
Trade and other receivables	13	26	25,002
Loan and receivables	14	196,173	-
Cash and cash equivalents	15	116,145	-
<b>TOTAL CURRENT ASSETS</b>		<b>312,344</b>	<b>378,918</b>
<b>TOTAL ASSETS</b>		<b>312,344</b>	<b>378,931</b>
<b>EQUITY</b>			
Share capital	16	204,238	204,238
Other reserves		5,005	5,005
Retained earnings		87,398	72,341
<b>TOTAL EQUITY</b>		<b>296,641</b>	<b>281,584</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trading liabilities	11	-	56,089
Trade and other payables	17	96	23,265
Current tax liabilities	18	15,607	12,805
Borrowings	19	-	5,188
<b>TOTAL CURRENT LIABILITIES</b>		<b>15,703</b>	<b>97,347</b>
<b>TOTAL LIABILITIES</b>		<b>15,703</b>	<b>97,347</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>312,344</b>	<b>378,931</b>

The financial statements on pages 10 to 38 were approved by the Board of Directors on 19 April 2018 and were signed on its behalf and authorised for issue by:

  
**CHRISTOPHER Penney**  
 Director

**BNP PARIBAS UK LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital £'000	Available- for-sale reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	204,238	1,092	5,005	44,338	254,673
Profit for the period - continuing operations	-	-	-	1,099	1,099
Profit for the period - discontinued operations	-	-	-	26,904	26,904
Other comprehensive (expense) / income:					
- Transferred to income statement on disposal of available- for-sale investments	-	(1,779)	-	-	(1,779)
- Revaluation on available-for-sale investments	-	263	-	-	263
- Tax on revaluation on available-for-sale investments	-	424	-	-	424
At 1 January 2017	204,238	-	5,005	72,341	281,584
Profit for the period - continuing operations	-	-	-	74	74
Profit for the period - discontinued operations	-	-	-	14,983	14,983
At 31 December 2017	204,238	-	5,005	87,398	296,641

# BNP PARIBAS UK LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
<b>Profit before taxation</b>		<b>20,698</b>	37,395
Adjustments for:			
- Gain on disposal of available-for-sale investments		-	(1,679)
- Interest income		(137)	-
- Interest expense		107	370
- Other operating income		-	(106)
- Foreign exchange gains on available-for-sale investments		-	(86)
<b>Changes in working capital:</b>			
- Decrease / (increase) in financial assets at fair value through profit or loss		353,916	(16,609)
- Decrease in financial liabilities at fair value through profit or loss		(56,089)	(7,079)
- Decrease in trade and other receivables		25,002	28,139
- Decrease in trade and other payables		(23,169)	(2,459)
<b>Cash generated from operations</b>		<b>320,328</b>	37,886
Interest received		111	9,969
Interest paid		(107)	(10,339)
Taxation paid		(2,826)	(22,519)
<b>Net cash flows generated from operations</b>		<b>317,506</b>	14,997
<b>Cash flows from investing activities</b>			
Increase in loan and receivables	14	(196,173)	-
Dividend income from available-for-sale investments		-	106
Disposal of available-for-sale investments		-	2,328
<b>Net cash flows (used in) /generated from investing activities</b>		<b>(196,173)</b>	2,434
Net increase in cash and cash equivalents		121,333	17,431
Cash and cash equivalents at 1 January		(5,188)	(22,619)
<b>Cash and cash equivalents at 31 December</b>	15, 19	<b>116,145</b>	(5,188)
Continued operations		1,602	1,527
Discontinued operations	10	114,544	(6,715)
<b>Cash and cash equivalents at 31 December</b>		<b>116,145</b>	(5,188)

The above illustrates the indirect method of reporting cash flows from operating activities.

# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied during the year presented and the prior year, unless otherwise stated.

#### (a) Basis of preparation

These financial statements have been prepared in accordance with United Kingdom law and International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS IC interpretations. The basis of preparation follows all recognition, measurement, presentation and disclosure requirements of IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(c).

The introduction of standards, which are mandatory as of 1 January 2017, has no effect on the financial statements as at 31 December 2017.

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Company. None of these are expected to have a significant effect on the financial statements of the Company, except for the following impact as set out below:

IFRS 9 "Financial Instruments", provides revised guidance on the classification and measurement of financial assets, introduces a new expected credit loss model for calculating impairment and incorporates final general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company has assessed the impact of this standard and no material impact is expected.

There are no other IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Company.

#### Going concern and liquidity

The Directors intend to place the Company into liquidation within twelve months from the date of signing the financial statements. Accordingly, the going concern basis of preparation is no longer appropriate, and the financial statements have been prepared on a basis other than going concern.

The basis of preparation follows all recognition, measurement, presentation and disclosure requirements of IFRS. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision, or to reclassify fixed assets and long-term liabilities as current assets and liabilities. The comparative financial statements continue to be prepared on a going concern basis.

The Directors have at the date of approving the financial statements a reasonable expectation that the Company will continue to have adequate resources to continue in operational existence, prior to placing the Company into liquidation.

Going concern is discussed in the Directors' report on page 5.

#### (b) Accounting convention

##### (i) Past due

A financial asset is past due when the counterparty has failed to make a payment when contractually due.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2017**

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**1. ACCOUNTING POLICIES (continued)**

**(c) Critical accounting estimates and judgements**

The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements such as fair value of financial instruments. Refer to note 1(g) for assumptions in respect of estimation in respect of fair value estimation.

**(d) Revenue recognition**

*(i) Dealing profits*

Dealing profits comprise the aggregate profits less losses arising from trading in primary and secondary debt markets, repurchase agreements and reverse repurchase agreements and derivative financial instruments. Interest income and expense on debt securities is recognised in the income statement as it accrues. Dealing profits also include underwriting fees in respect of debt securities that are recognised as they accrue.

*(ii) Interest income and expense*

Interest income arises on cash and cash equivalents and loan and receivables. Interest expense arises on borrowings and tax liabilities. Interest income and expense are recognised in the income statement, using the effective interest rate method.

*(iii) Other income*

Dividend income arises on available-for-sale investments, and is disclosed in the income statement as 'other operating income' when the Company's right to receive the dividend is established.

**(e) Foreign currency**

*(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Sterling, being the Company's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within "Dealing profits".

Changes in the fair value of monetary available-for-sale investments denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are included in other comprehensive income.

**(f) General**

All financial assets and liabilities which have a maturity date of up to one year from the balance sheet date are classified as 'current', and as 'non-current' if they have a maturity date greater than one year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2017**

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**1. ACCOUNTING POLICIES (continued)**

**(g) Financial assets and liabilities**

All financial assets and liabilities are recognised and derecognised on trade date where the purchase or sale of a financial asset and liability is under a contract whose terms require delivery of the financial asset and liability within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Company classifies its financial assets in the following categories: 'financial assets at fair value through profit or loss', 'other receivables' and 'available-for-sale investments'. The carrying value of financial instruments that are not measured at fair value does not materially differ from their fair value unless otherwise stated in the financial statements. Management determines the classification of its financial instruments upon initial recognition – such classification being dependent on the purpose for which the financial instruments were acquired.

*(i) Financial assets or financial liabilities at fair value through profit or loss*

This category has two sub-categories: 'held for trading', and 'designated at fair value through profit or loss at inception'.

A financial asset or liability is classified as 'held for trading' if it is acquired principally for the purposes of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets and liabilities relating to repurchase and resale agreements which are contracted for trading purposes are classified as 'held for trading'. Derivatives are also classified as 'held for trading'.

For commitments entered into with clients in respect of securities that are yet to be issued, a derivative is recognised to represent the fair value movements in the period between the date of the commitment ('trade date') and the security issuance date ('settlement date').

Financial assets and liabilities are designated as fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost;
- certain investments such as equity investments that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and
- financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modifying the cash flows, are designated at fair value through profit or loss.

Financial assets or liabilities at fair value through profit or loss are recognised initially at fair value and transaction costs are expensed in the income statement. They are subsequently carried at fair value.

Gains or losses arising from changes in the fair value, including interest and dividend income, are disclosed in the income statement.

*(ii) Loan and receivables*

Loan and receivables are non-derivative financial assets with fixed or determinable cash flows. These are measured at amortised cost.

*(iii) Trade and other receivables*

Trade and other receivables are non-derivative financial assets with fixed or determinable cash flows that are not quoted in an active market. These are measured at amortised cost.

*(iv) Trade and other payables*

Trade and other payables are non-derivative financial liabilities with fixed or determinable cash flows that are not quoted in an active market. These are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2017**

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**1. ACCOUNTING POLICIES (continued)**

**(g) Financial assets and liabilities (continued)**

*(v) Repurchase agreements and securities lending / borrowing transactions*

Securities temporarily sold under repurchase agreements continue to be recorded in the Company's balance sheet. The corresponding liability is recognised in the appropriate debt category on the balance sheet except in the case of repurchase agreements contracted for trading purposes, where the corresponding liability is classified in "Financial liabilities".

Securities temporarily acquired under reverse repurchase agreements are not recognised in the Company's balance sheet. The corresponding receivable is classified in the balance sheet within 'loans and receivables' except in the case of reverse repurchase agreements contracted for trading purposes, where the corresponding receivable is recognised under "Trading Assets".

Securities lending transactions do not result in derecognition of the lent securities, and securities borrowing transactions do not result in recognition of the borrowed securities on the balance sheet.

**Derecognition of financial instruments**

The Company derecognises all or part of a financial asset either (i) when the contractual rights to the cash flows from the asset expire or (ii) when the Company transfers the contractual rights to the cash flows from the asset and substantially all the risks and rewards of ownership of the asset. Unless these conditions are fulfilled, the Company retains the asset on its balance sheet and recognises a liability for the obligation created as a result of the transfer of the asset.

The Company derecognises all or part of a financial liability when the liability is extinguished in full or in part.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

**Fair value estimation**

Financial instruments are classified into three levels in descending order of the observability of their value and of the inputs used for their valuation:

Level 1 - This level encompasses all derivatives and securities that are listed on exchanges or quoted continuously in other active markets.

It notably includes liquid shares and bonds, borrowings and short sales of these instruments, derivatives traded on organised markets (futures and options, etc.), and units in funds with net asset values calculated on a daily basis.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2017**

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**1. ACCOUNTING POLICIES (continued)**

**(g) Financial assets and liabilities (continued)**

**Fair value estimation (continued)**

Level 2 - Financial instruments measured using valuation techniques based on observable inputs: This level consists of financial instruments measured by reference to the price of similar instruments quoted in an active market or to identical or similar instruments quoted in a non-active market, but for which transaction prices are readily and available on the market or, lastly, instruments measured using valuation techniques based on observable inputs.

Repurchase agreements are classified predominantly in Level 2. The classification is primarily based on the observability and liquidity of the repo market, depending on the underlying collateral.

Debt issued designated at fair value through profit and loss, is classified in the same level as the one that would apply to the embedded derivative taken individually. Own credit spread is an observable input.

Derivatives classified in Level 2 comprise mainly vanilla instruments such as interest rate swaps, caps, floors and swaptions, credit default swaps, equity/foreign exchange (FX)/commodities forwards and options;

Level 3 - Financial instruments measured using valuation techniques based on non-observable inputs: This level comprises financial instruments measured using valuation techniques based wholly or partially on non-observable inputs. A non-observable input is defined as a parameter, the value of which is derived from assumptions or correlations not based either on observable transaction prices in the identical instrument at the measurement date or observable market data available at the same date. An instrument is classified in Level 3 if a significant portion of its valuation is based on non-observable inputs.

This level notably comprises unlisted shares, bonds measured using valuation models employing at least one significant non-observable input or derived from price data in a non-active market.

**The valuation techniques for OTC derivatives include:**

*(i) Foreign exchange contracts*

The fair value of forward contracts is determined using forward exchange rates at the balance sheet date.

**(h) Impairment of financial assets**

*(i) Assets carried at amortised cost*

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower (for example, equity ratio, net income as a percentage of sales);
- breach of loan covenants or conditions;
- initiation of bankruptcy proceedings;
- deterioration of borrower's competitive position;
- deterioration in the value of collateral; and
- downgrading below investment grade level.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective rate.

# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1. ACCOUNTING POLICIES (continued)

#### (i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, intercompany balances repayable on demand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### (j) Share capital, capital contribution and debt instruments

Ordinary shares and capital contributions that evidence a residual interest in the assets of the Company after deducting all of its liabilities are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax.

#### (k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### (l) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

#### (m) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability that at the time of the transaction affects neither the accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that foreseeable future taxable profit will be available against which the temporary differences can be utilised.

#### (n) Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a single major line of business.
- is part of a single co-ordinated plan to dispose of a separate major line or business.

Classification as a discontinued operation occurs on disposal, or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as discontinued operation, the comparative statement of comprehensive income is re-represented as if the operation had been discontinued from the start of the comparative year.

# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (foreign exchange risk, cash flow and fair value interest rate risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company conducted an Internal Capital Adequacy Assessment and an Individual Liquidity Adequacy Assessment, as required by the FCA, in April 2017.

#### (a) Credit risk

The Company takes on exposure to credit risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk exposures arise principally on loan and receivables. The Company has a concentration of credit exposure to BNP Paribas, the ultimate parent undertaking. The Company sold all of its trading assets in September 2017.

Exposure to credit risk within the Company is monitored centrally by the Risk function of BNP Paribas, the ultimate parent undertaking, under formal service level agreements, the output of which is communicated to the Board on a regular basis.

#### *Maximum exposure to credit risk before collateral held or credit enhancements*

	31 December 2017 £'000	31 December 2016 £'000
Trading assets		
— Resale agreements	-	167,411
— Debt securities	-	186,494
— Derivatives	-	11
Trade and other receivables	26	25,002
Loan and receivables	196,173	-
Cash and cash equivalents	116,145	-
	312,344	378,918

The above table represents a worst case scenario of credit risk exposure for the Company at 31 December 2017 and 2016, without taking into account collateral held or other credit enhancements attached. The exposures set out above are based on the carrying amounts as reported in the balance sheet.

#### *Collateral received*

As at 31 December 2017, no collateral was held. In 2016, the collateral held was £167 million consisting of debt securities issued by BNP Paribas group undertakings of £76 million and UK gilts of £91 million (note 11).

#### *Master netting agreements*

The Company has entered into master netting agreements with all of its counterparties. However, balances with the same counterparty had not been offset on the balance sheet if the Company did not intend to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## BNP PARIBAS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 2. FINANCIAL RISK MANAGEMENT (continued)

##### (a) Credit risk (continued)

###### *Credit quality of financial assets that are neither past due nor impaired*

There were no financial assets that were past due or impaired in 2017. In 2016, financial assets primarily comprised of debt issued by BNP Paribas, the ultimate parent undertaking.

###### *Financial assets past due but not impaired*

Gross amounts of financial assets that were past due but not impaired in 2016 were as follows:

31 December 2016	Trade receivables £'000	Total £'000
Past due up to 30 days	961	961
Past due 30 - 60 days	2,472	2,472
	3,433	3,433

In 2016, there were no financial assets which had been renegotiated that would otherwise be past due. The Company held no collateral (or other credit enhancements) against financial assets that were past due but not impaired.

###### *Financial assets impaired*

In 2016, there were no financial assets that were impaired. No financial assets have been renegotiated that would otherwise be impaired.

##### (b) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Prudent liquidity risk management is achieved by maintaining sufficient cash and readily realisable loan and receivable positions.

# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. FINANCIAL RISK MANAGEMENT (continued)

#### (b) Liquidity risk (continued)

The table below presents the cash flows payable by the Company by remaining contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trading liabilities relating to short positions in debt securities are presented in the earliest maturity band as they are expected to be settled in the short term, and the amount to be settled will be the fair value.

	Up to 3 months £'000	3 - 6 months £'000	6 - 12 months £'000	1 - 5 years £'000	Over 5 years £'000	Total £'000
<b>AT 31 DECEMBER 2017</b>						
<b>FINANCIAL LIABILITIES</b>						
Trade and other payables	96	-	-	-	-	96
Current tax liabilities	9,979	-	5,628	-	-	15,607
	10,075	-	5,628	-	-	15,703
<b>AT 31 DECEMBER 2016</b>						
<b>FINANCIAL LIABILITIES</b>						
Trading liabilities						
Debt securities	56,089	-	-	-	-	56,089
Trade and other payables	23,265	-	-	-	-	23,265
Current tax liabilities	-	-	2,826	9,979	-	12,805
Borrowings	5,188	-	-	-	-	5,188
	84,542	-	2,826	9,979	-	97,347

#### (c) Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate and currency, both of which are exposed to general and specific market movements, and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

The Company separates exposures to market risk into either trading or non-trading portfolios.

**Trading portfolios** include those positions arising from market-making transactions where the Company acts as principal with clients. These positions were disposed of in September 2017.

**Non-trading portfolios** include loan and receivables and cash and cash equivalent balances which are exposed to interest rate risk.

#### *Market risk measurement techniques*

As part of the monitoring of market risk against Company limits, the Risk function of BNP Paribas, the ultimate parent undertaking, under formal service level agreements, undertakes bi-monthly analysis of value at risk and applies stress testing techniques, the output of which is communicated to the Board on a regular basis.



# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 2. FINANCIAL RISK MANAGEMENT (continued)

#### i) Foreign currency risk management

The Company is not exposed to foreign exchange risk on its assets and liabilities as they are all denominated in its functional currency of Sterling.

#### ii) Interest rate risk management

The Company is no longer exposed to cash flow or fair value interest rate risk as it repaid its borrowings on the sale of its trading activities.

#### *Interest rate risk sensitivity*

The sensitivity analyses below have been determined based on the following assumptions:

- the exposure to interest rates is on non-trading balances which is inclusive of cash borrowings and loan and receivables held at the balance sheet date;
- the stipulated change took place at the beginning of the financial year and held constant throughout the reporting period;
- instruments that reprice within a period of six months are considered variable while those that reprice after six months are considered fixed; and
- a reasonably conservative rate change.

The sensitivity analysis shown below is representative of the risks inherent in the Company's financial instruments and non-trading balances. The methods and assumptions used to prepare the sensitivity analysis are consistent for both reporting periods.

If interest rates had been 100 basis points higher (2016: 100 basis points higher) and all other variables were held constant, the Company's profit for the year ended 31 December would increase by £3.1 million (2016: decrease by £3.3 million).

	2017	2016
	£'000	£'000
Profit for the year		
Financial instruments	-	(3,272)
Non trading (including cash borrowings and loan and receivables)	3,123	(52)
Total	3,123	(3,324)

A 100 basis point (2016: 100 basis points) decrease in interest rates would have the following effect on profit or loss:

	2017	2016
	£'000	£'000
Profit for the year		
Financial instruments	-	3,267
Non trading (including cash borrowings and loan and receivables)	(3,123)	52
Total	(3,123)	3,319

## BNP PARIBAS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 3. DEALING PROFITS

Dealing profits earned by the Company during the year are classified below in relation to the class of financial instrument held by the Company:

	2017 £'000	2016 £'000
Debt securities	22,147	38,216
Derivative financial instruments	247	(393)
	22,394	37,823

Dealing profits on debt securities for the year of £22.1 million (2016: £38.2 million) represent a decrease of 42% on the prior year, mainly due to the cessation of trading activity. 'Debt securities' includes Primary Trading – Public issues £8.8 million (2016: £11.4 million), Primary Trading – Medium Term Note issues £3.2 million (2016: £4.4 million) and Secondary Trading £10.1 million (2016: £22.4million).

Dealing profits / (losses) on derivative financial instruments of £0.2 million gain (2016: £0.4 million loss) represent the realised gain on foreign exchange forward contracts with BNP Paribas, the ultimate parent undertaking.

#### 4. OTHER OPERATING INCOME

	2017 £'000	2016 £'000
Dividends	-	106
	-	106

In 2016 the Company received a dividend of £0.1 million from its available-for-sale investment in Euroclear Plc. This investment was sold in 2016.

**BNP PARIBAS UK LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2017****5. INTEREST INCOME**

	2017 £'000	2016 £'000
Cash and cash equivalents	89	-
Loan and receivables	48	-
	137	-

Interest income represents interest received on cash and cash equivalent balances with BNP Paribas, the ultimate parent undertaking, at an average rate of 0.43%, and on the reverse repurchase agreements at an average rate of 0.03%.

**6. INTEREST EXPENSE**

	2017 £'000	2016 £'000
Interest expense	(107)	(370)

Interest expense of £0.1 million (2016: £0.4 million) was incurred on borrowings from BNP Paribas, the ultimate parent undertaking. In 2017 the average balance was £57 million (2016: £ 42 million) incurring interest at an average rate of 0.26% (2016: 0.41%).

**7. ADMINISTRATIVE EXPENSES**

	2017 £'000	2016 £'000
Support and administrative expenses	(1,691)	(1,691)
Other administrative expenses	(35)	(152)
	(1,726)	(1,843)

Support and administrative expenses represent fees due to BNP Paribas, the ultimate parent undertaking, under a service level agreement.

Other administrative expenses include bank levy £1k (2016: £34k), consultancy fees £nil (2016: £79k), audit fees £19k (2016: £24k) and non-audit fees £16k (2016: £16k).

## BNP PARIBAS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 8. DIRECTORS' EMOLUMENTS

The Directors provide services to the Company, the ultimate parent undertaking and a number of fellow subsidiary undertakings. The emoluments of all Directors in the current and prior year are paid by BNP Paribas, the ultimate parent undertaking. No recharge is made to the Company as it is not possible to make an accurate apportionment of Directors' emoluments in respect of each of the subsidiaries.

#### 9. TAXATION

##### (a) Analysis of charge in the year

	2017 £'000	2016 £'000
Current tax charge		
UK corporation tax on profits for the year	(5,628)	(9,979)
Adjustment in respect of prior years	-	589
<b>Total current tax</b>	<b>(5,628)</b>	<b>(9,390)</b>

##### (b) Deferred tax

Deferred tax		
- Origination and reversal of timing difference	(13)	(2)
<b>Total deferred tax</b>	<b>(13)</b>	<b>(2)</b>
<b>Tax charge</b>	<b>(5,641)</b>	<b>(9,392)</b>

# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 9. TAXATION (continued)

#### (c) Factors affecting tax charge for the year

The tax assessed for the year is equal to (2016: lower) profit on ordinary activities before taxation multiplied by the rate of corporation tax in the UK of 19.25% (2016: 20.00%) plus a surcharge of 8%, which became effective for banking companies for accounting periods beginning on or after 1 January 2016.

The charge for the year can be reconciled as follows:

	2017 £'000	2016 £'000
Profit before taxation	20,698	37,395
	20,698	37,395
Current tax at 27.25% (2016: 28%)	(5,641)	(10,471)
Effects of:		
Bank levy accrual	-	(10)
Adjustment to tax charge in respect of prior years	-	589
Non-taxable gain on disposal of available-for-sale investment	-	470
Non-taxable dividend income	-	30
<b>Tax charge for the current year</b>	<b>(5,641)</b>	<b>(9,392)</b>
Continued operations	(28)	(428)
Discontinued operations	(5,613)	(8,964)
<b>Tax charge for the current year</b>	<b>(5,641)</b>	<b>(9,392)</b>

## BNP PARIBAS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 10. Discontinued operations

In September, the Company ceased to act as an underwriter and hold positions in debt securities issued by BNP Paribas, the ultimate parent undertaking. Financial information relating to the discontinued operations for the period to the date of disposal is set out below. The trading activities were disposed of during September 2017 at market prices, and settled in full in cash. No gain or loss arose on disposal.

<b>Discontinued operations</b>	<b>Note</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Dealing profits	3	22,394	37,823
Other operating income	4	-	106
Interest expense	6	(107)	(370)
<b>Net profit before administrative expenses</b>		<b>22,287</b>	<b>37,559</b>
Administrative expenses	7	(1,691)	(1,691)
<b>Operating profit</b>		<b>20,596</b>	<b>35,868</b>
<b>Profit before taxation</b>		<b>20,596</b>	<b>35,868</b>
Taxation	9	(5,613)	(8,964)
<b>Profit from discontinued operations</b>	<b>10</b>	<b>14,983</b>	<b>26,904</b>

# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 10. Discontinued operations (continued)

	2017 £'000	2016 £'000
<b>Cash flows from discontinued operations</b>		
Net cash flows generated from operations	317,432	15,150
Net cash flows (used in) /generated from investing activities	(196,173)	2,434
<b>Net increase in cash and cash equivalents</b>	<b>121,259</b>	<b>17,584</b>

### 11. FINANCIAL INSTRUMENTS HELD FOR TRADING

The Company disposed of its trading assets and liabilities in September 2017 as part of the cessation of activity.

	Fair value assets 31 December 2016 £'000	Notional contract assets 31 December 2016 £'000	Fair value (liabilities) 31 December 2016 £'000	Notional contract (liabilities) 31 December 2016 £'000
<b>Debt securities</b>				
Listed	52,559	51,997	(45,627)	(44,952)
Non listed	133,935	131,694	(10,462)	(10,236)
	186,494	183,691	(56,089)	(55,188)
<b>Derivatives</b>	11	210,076	-	-
<b>Receivables and Payables</b>				
Resale/ (repurchase) agreements	167,411	167,365	-	-
	353,916	561,132	(56,089)	(55,188)

As at 31 December 2017 the Company had no assets or liabilities in respect of debt securities issued by BNP Paribas group undertakings (2016: Fair value of Assets £186 million, Fair value of Liabilities £56 million).

For the purposes of managing its non-trading book exposures, the Company has in place an agreement with BNP Paribas, the ultimate parent undertaking, under which, at the end of each business day the Company converts closing foreign currency cash and cash equivalents and borrowings into Sterling, matched against a forward trade for value the following business day. This agreement was terminated on 31 December 2017. This results in a derivative with a fair value of £ nil (2016: £11k) and a total notional of £ nil (2016: £210 million) as at 31 December 2017.

Amounts receivable under resale agreements are repayable in accordance with the underlying contract. The fair value of financial assets accepted as collateral for amounts receivable under resale agreements at 31 December 2017 was £ nil (2016: £167 million). The resale agreements are for periods not exceeding three months.

# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 11. FINANCIAL INSTRUMENTS HELD FOR TRADING (continued)

The following 2016 table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>				
Trading assets				
Debt securities	26,075	125,701	34,718	186,494
Derivatives	11	-	-	11
Receivables	-	167,411	-	167,411
At 31 December 2016	26,086	293,112	34,718	353,916
<b>Available-for-sale financial assets</b>				
Cost as at 1 January 2016	-	-	563	563
Disposals	-	-	(649)	(649)
FX Revaluation	-	-	86	86
Cost as at 31 December 2016	-	-	-	-
Revaluation transferred to available-for-sale reserves as at 1 January 2016	-	-	1,516	1,516
Revaluation transferred to income statement on disposal of available-for-sale investment	-	-	(1,779)	(1,779)
FX on revaluation transferred to available-for-sale reserves	-	-	263	263
Revaluation transferred to available-for-sale reserves as at 31 December 2016	-	-	-	-
At 31 December 2016	-	-	-	-
<b>Financial liabilities at fair value through profit or loss</b>				
Trading liabilities				
Debt securities	(41,993)	(14,096)	-	(56,089)
At 31 December 2016	(41,993)	(14,096)	-	(56,089)

As at 31 December 2016, the financial assets at fair value through profit or loss within Level 3 were £34.7 million consisting entirely of paper issued by BNP Paribas, the ultimate parent undertaking. The fair value is based on unobservable inputs.



# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 11. FINANCIAL INSTRUMENTS HELD FOR TRADING (continued)

#### Reconciliation of Level 3 fair value measurements of financial assets

	Fair value through profit or loss	Available-for- sale	31 December 2017
	Debt securities £'000	Unquoted equities £'000	Total £'000
<b>Trading assets / Pledged assets</b>			
Opening balance	34,718	-	34,718
Total gain or loss			
- in profit or loss	(1,864)	-	(1,864)
Purchases	37,258	-	37,258
Sales	(74,465)	-	(74,465)
Settlements	4,353	-	4,353
Closing balance	-	-	-

	Fair value through profit or loss	Available-for- sale	31 December 2016
	Debt securities £'000	Unquoted equities £'000	Total £'000
<b>Trading assets / Pledged assets</b>			
Opening balance	23,670	2,079	25,749
Total gain or loss			
- in profit or loss	(1,684)	(1,779)	(3,463)
- in other comprehensive income	-	263	263
Purchases	135,843	-	135,843
Sales	(131,947)	(563)	(132,510)
Settlements	8,498	-	8,498
Transfers into level 3 from level 1	338	-	338
Closing balance	34,718	-	34,718

# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 12. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following table presents the amounts of financial assets and liabilities before and after offsetting. This information, required by the amendment to IFRS 7 (Disclosures-Offsetting Financial Assets and Financial Liabilities) applicable as at 1 January 2013, aims to enable comparability with the accounting treatment applicable in accordance with generally accepted accounting principles in the United States (US GAAP), which are less restrictive than IAS 32 in respect of offsetting.

The Company does not currently offset any financial assets against financial liabilities on the balance sheet as it does not meet the IAS 32 ('Financial instruments: Presentation') offsetting criteria.

The "impact of master netting agreements and similar agreements" are relative to outstanding amounts of transactions which are part of an enforceable agreement, which do not meet the offsetting criteria defined by IAS 32. This is the case for transactions for which offsetting can only be performed in case of default, insolvency or bankruptcy of one of the contracting parties.

"Financial instruments given or received as collateral" include guarantee deposits and securities collateral recognised at fair value. These guarantees can only be exercised in case of default, insolvency or bankruptcy of one contracting parties.

Regarding master netting agreements, the guarantee deposits received or given in compensation for the positive or negative fair values of financial instruments are recognised in the balance sheet in accrued income or expenses and other assets or liabilities.

31 December 2017	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments received as collateral	Net amounts according to IFRS 7 & 13
Assets	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other receivables	26	-	26	-	-	26
Loan and receivable	196,173	-	196,173	-	-	196,173
Cash and cash equivalents	116,145	-	116,145	-	-	116,145
<b>TOTAL ASSETS</b>	<b>312,344</b>	<b>-</b>	<b>312,344</b>	<b>-</b>	<b>-</b>	<b>312,344</b>

31 December 2017	Gross amounts of financial liabilities	Gross amounts set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements	Financial instruments given as collateral	Net amounts according to IFRS 7 & 13
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	96	-	96	-	-	96
Current tax liabilities	15,607	-	15,607	-	-	15,607
<b>TOTAL LIABILITIES</b>	<b>15,703</b>	<b>-</b>	<b>15,703</b>	<b>-</b>	<b>-</b>	<b>15,703</b>

# BNP PARIBAS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 12. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES (continued)

31 December 2016	Gross amounts of financial assets £'000	Gross amounts set off on the balance sheet £'000	Net amounts of financial assets presented on the balance sheet £'000	Impact of Master Netting Agreements (MNA) and similar agreements £'000	Financial instruments received as collateral £'000	Net amounts according to IFRS 7 & 13 £'000
<b>Assets</b>						
Deferred tax asset	13	-	13	-	-	13
Trading assets	353,916	-	353,916	-	(167,411)	186,505
Trade and other receivables	25,002	-	25,002	-	-	25,002
<b>TOTAL ASSETS</b>	<b>378,931</b>	<b>-</b>	<b>378,931</b>	<b>-</b>	<b>(167,411)</b>	<b>211,520</b>

  

31 December 2016	Gross amounts of financial liabilities £'000	Gross amounts set off on the balance sheet £'000	Net amounts of financial liabilities presented on the balance sheet £'000	Impact of Master Netting Agreements (MNA) and similar agreements £'000	Financial instruments given as collateral £'000	Net amounts according to IFRS 7 & 13 £'000
<b>Liabilities</b>						
-	-	-	-	-	-	-
Trading liabilities	56,089	-	56,089	-	-	56,089
Trade and other payables	23,265	-	23,265	-	-	23,265
Current tax liabilities	12,805	-	12,805	-	-	12,805
Borrowings	5,188	-	5,188	-	-	5,188
<b>TOTAL LIABILITIES</b>	<b>97,347</b>	<b>-</b>	<b>97,347</b>	<b>-</b>	<b>-</b>	<b>97,347</b>

## BNP PARIBAS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 13. TRADE AND OTHER RECEIVABLES

	31 December 2017 £'000	31 December 2016 £'000
Trade debtors		
— group	-	4,181
— external	-	20,821
Interest accrual - loan and receivables	26	-
	26	25,002

The fair value of the 2016 trade and other receivables approximated to the carrying amount and were not interest bearing.

#### 14. LOAN AND RECEIVABLES

	31 December 2017 £'000	31 December 2016 £'000
Reverse Repurchase agreements	196,173	-
	196,173	-

The purpose of the reverse repurchase agreements is to manage the Company's surplus liquidity.

#### 15. CASH AND CASH EQUIVALENTS

	31 December 2017 £'000	31 December 2016 £'000
Cash and cash equivalents		
— group	87,144	-
— external	29,001	-
	116,145	-

The Company placed £87 million with BNP Paribas, the ultimate parent undertaking, on an interest bearing basis and repayable on demand.

The Company placed £29 million with an external party, on a non- interest bearing basis and repayable on demand.

## BNP PARIBAS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 16. SHARE CAPITAL

	31 December 2017 £'000	31 December 2016 £'000
<b>Allotted, called up and fully paid</b>		
204,238,255 (2016: 204,238,255) ordinary shares of £1 each	<b>204,238</b>	204,238

The Company has in issue only one class of equity share. The shares are non-redeemable, carry one vote per share and have no right to dividend other than those recommended by the Directors. Upon winding-up, the shares have an unlimited right to share in the surplus assets remaining.

#### 17. TRADE AND OTHER PAYABLES

	31 December 2017 £'000	31 December 2016 £'000
Trade creditors		
— group	-	21,330
— external	<b>23</b>	1,179
Other payables	<b>73</b>	756
	<b>96</b>	23,265

Trade creditors arising from unsettled trades are to be settled in accordance with the terms of the underlying contract.

Other payables of £0.1 million relate to 2017 and 2016 audit fees (2016: £0.7 million related to bank levy).

The fair value of trade and other payables approximates to the carrying amount. Trade and other payables are not interest bearing.

#### 18. CURRENT TAX LIABILITIES

The current tax liability includes £5.6 million corporation tax due in respect of 2017 and £10 million in respect of 2016.

On 20 December 2017 the Company settled the 2015 tax liability of £2.8 million.

## BNP PARIBAS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 19. BORROWINGS

	31 December 2017	31 December 2016
	£'000	£'000
Overdrafts	-	(5,188)
	-	(5,188)

The Company settled its overdraft with BNP Paribas, the ultimate parent undertaking, following cessation of its principal activity.

#### 20. CAPITAL MANAGEMENT

The Company categorises the following as its Capital resources:

	31 December 2017	31 December 2016
	£'000	£'000
Capital resources		
Ordinary Shares	204,238	204,238
Other Reserves	5,005	5,005
Retained earnings for prior year	72,341	44,338
Adjustments to CET1 due to prudential files	(196)	(394)
Total Capital resources	281,388	253,187

As at 31 December 2017, the Company was authorised and regulated by the Financial Conduct Authority ("FCA") and subject to capital requirements as set out in Regulation (EU) No. 575/2013 and the FCA handbook. The Company complied with the relevant capital requirements throughout the year under review in these financial statements.

On 10 January 2018 the Company applied to cancel its authorisation following the cessation of its principal activity in September 2017. The Company's authorisation was cancelled with effect from 7 March 2018. The Company's share capital will be reduced in the foreseeable future.

## BNP PARIBAS UK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 21. RELATED PARTY TRANSACTIONS

Transactions undertaken with related parties during the year gave rise to the following income statement items:

Nature of income	Related party	2017 £'000	2016 £'000
Dealing profits	Ultimate parent undertaking and fellow subsidiary	10,368	23,631
Interest income	Ultimate parent undertaking and fellow subsidiary	137	-
Interest expense	Ultimate and immediate parent undertaking	(107)	(370)
Administrative expenses	Ultimate parent undertaking	(1,691)	(1,691)

In respect of related party transactions the outstanding balances were as follows:

Nature of balance	Related party	31 December 2017 £'000	31 December 2016 £'000
Financial liabilities at fair value through profit or loss	Ultimate parent undertaking and fellow subsidiary	-	347,856
Trade and other receivables	Ultimate parent undertaking and fellow subsidiary	26	4,181
Loan and receivables	Ultimate parent undertaking and fellow subsidiary	196,173	-
Cash and cash equivalents	Ultimate parent undertaking and fellow subsidiary	87,144	-
Financial liabilities at fair value through profit or loss	Ultimate parent undertaking and fellow subsidiary	-	(56,089)
Trade and other payables	Ultimate parent undertaking and fellow subsidiary	-	(21,330)
Borrowings	Ultimate parent undertaking and fellow subsidiary	-	(5,188)

All related party transactions have been concluded at arm's length.

#### 22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Harewood Holdings Limited.

The ultimate parent undertaking and controlling party is BNP Paribas, a company incorporated in France. BNP Paribas is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2017.

The consolidated financial statements of BNP Paribas are available from 16 boulevard des Italiens, 75009 Paris, France.