PARIS—BNP Paribas SA on Thursday announced an unexpected slump in fourth-quarter profit after it set aside a $1.1 billion provision against possible penalties for allegedly violating U.S. laws that restrict financial transactions with countries under economic sanctions.

The Paris-based lender said that during an internal probe conducted by the bank over the past few years it had found "a significant volume of transactions that could be considered impermissible under U.S. laws and regulations including, in particular, those of the Office of Foreign Assets Control."

The surprise provision pushed fourth-quarter net profit down 76% to €127 million ($172.8 million) from €519 million a year earlier, well short of analyst forecasts putting the figure at €959 million.
Sanctions Impact

BNP Paribas's fourth-quarter net profit dived after a surprise provision against possible U.S. fines.

<table>
<thead>
<tr>
<th>In millions of euros</th>
<th>4Q13</th>
<th>3Q13</th>
<th>2Q13</th>
<th>1Q13</th>
<th>4Q12</th>
<th>3Q12</th>
<th>2Q12</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>9,563</td>
<td>9,287</td>
<td>9,917</td>
<td>10,055</td>
<td>9,395</td>
<td>9,693</td>
<td>10,098</td>
<td>9,886</td>
</tr>
<tr>
<td>Net Profit</td>
<td>127</td>
<td>1,358</td>
<td>1,763</td>
<td>1,584</td>
<td>519</td>
<td>1,326</td>
<td>1,850</td>
<td>2,869</td>
</tr>
</tbody>
</table>

Source: BNP Paribas

"The bank has presented the findings of this review to U.S. authorities and commenced subsequent discussions with them," the bank said.

The amount of the potential fines has, however, not yet been discussed with U.S. authorities, it said, and could be "different, possibly very different, from the amount of the provision." The timing too, is "uncertain," the bank said.

BNP Paribas is one of several banks that over the past year have disclosed talks with regulators about potential sanctions breaches. Many such investigations have involved alleged violations of U.S. sanctions on Iran, where the U.S. government has for decades restricted financial transactions.

U.K.-based Standard Chartered PLC agreed in December 2012 to pay $327 million in penalties for alleged violations of U.S. sanctions against Iran, Libya and other nations.

The French bank didn't say which countries these potential breaches involved.

As with many other lenders in Europe, muted economic growth and rising legal costs due to greater oversight by regulators have squeezed BNP Paribas's profit.

Related Article

Société Générale Repays ECB Loans
(2/12/14)

The bank plans to give further details Thursday of a new strategy aimed at lifting its return on equity to above 10% in 2016 from 7.7% in 2013.

It will expand its U.S. corporate and investment banking business and develop cross-selling with BancWest, its local retail bank.

BNP Paribas said last year that it planned to increase its presence in the Asia-Pacific region and in Germany and develop its asset management business globally.

To reach its profit targets, BNP Paribas said Thursday it also planned new cost cuts. Last year the bank said that it would spend €1.5 billion over three years to cut its overall annual costs by €2 billion by 2015. The bank said on Thursday that it now targeted €2.8 billion in savings in 2016.

The bank's core Tier 1 ratio, a key measure of a bank's financial health, stood at 10.3% at the end of December.

Its leverage ratio, which compares capital to total assets, stood at 3.7% in December, above the 3% threshold set by regulators for 2018.

The bank will propose a dividend of €1.5 a share on 2013 earnings.

Fourth-quarter revenue was up 1.8% at €9.56 billion from €9.40 billion a year earlier.

Crosstown rival Société Générale SA posted fourth-quarter net profit of €322 million Wednesday.
compared with a €471 million loss a year ago. Crédit Agricole SA publishes its results on Feb. 19.

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