

**BNP PARIBAS S.A., SOUTH AFRICA BRANCH**  
**(A foreign branch of a company incorporated in France)**

**Registration number 2011/100541/10**

**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**



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**for the year ended 31 December 2015**

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## **BNP PARIBAS S.A., SOUTH AFRICA BRANCH**

### **STATEMENT OF THE EXECUTIVE COMMITTEE'S RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2015**

The Executive Committee is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and the related information. The auditors are responsible for reporting on the fair presentation of the annual financial statements. The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The annual financial statements incorporate full and responsible disclosure in line with the BNP Paribas S.A., South Africa Branch's (the "Branch") philosophy on corporate governance.

The Executive Committee is also responsible for the Branch's systems of risk management and internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Executive Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.


The external auditors are responsible for independently reviewing and reporting on the Branch's annual financial statements.

The annual financial statements have been examined by the Branch's external auditors and their report is presented on pages 5 to 6.

The annual financial statements set out on pages 7 to 38 were approved by the Executive Committee on 29 April 2016 and are signed on its behalf by:



V KODJO DIOP  
CHIEF EXECUTIVE OFFICER



S KRASS  
CHIEF OPERATING OFFICER

## **BNP PARIBAS S.A., SOUTH AFRICA BRANCH**

### **REPORT OF THE EXECUTIVE COMMITTEE**

**for the year ended 31 December 2015**

The Executive Committee presents its report which forms part of the audited annual financial statements of the BNP Paribas S.A., South Africa Branch for the year ended 31 December 2015.

#### **INCORPORATION AND ACTIVITIES**

BNP Paribas S.A., South Africa Branch (the "Branch") is a branch of BNP Paribas S.A. (the "Bank" or the "Head Office") incorporated and domiciled in France. The Bank's registered office is 16, Boulevard Des Italiens, 75009 Paris, France. The Bank has operations in over 75 countries and employs over 189,000 people. The Bank has its primary listing on the Paris stock exchange.

The Branch is licensed by the South African Reserve Bank ("SARB") to carry out banking activities and was registered on 01 June 2012 and has been an authorised dealer in foreign exchange since 01 July 2013.

The Branch started operations on 02 January 2013 once it received its endowment capital from Head Office.

The Branch carries out a full range of treasury, capital markets and corporate banking activities and has significant dealings with the Head Office and other offices of the Bank in the ordinary course of business.

#### **RESULTS OF OPERATIONS**

The loss of the Branch amounted to R 7,254,000 (2014: R 38,874,000) for the year. The results of the Branch are explained in the annual financial statements, and no further comments are deemed necessary.

#### **CAPITAL**

During the current year the Branch received endowment capital of R nil (2014: R 384,991,000).

#### **HOLDING COMPANY**

The ultimate holding company of the Branch is BNP Paribas S.A. (a company incorporated in France).

#### **EQUIPMENT AND VEHICLES**

Equipment and vehicles amounting to R 1,733,000 (2014: R 95,000) were acquired during the year.

#### **INTANGIBLE ASSETS**

Computer software amounting to R 337,000 (2014: R 213,000) was acquired during the year.

#### **LISTING EVENTS**

The Branch had issued three month notes of R 300,000,000 on the Stock Exchange (JSE Limited) on the 11th of March 2015 under its Domestic Medium Term Notes (DMTN) programme. The total DMTN programme is R 10 billion with a maximum maturity of 10 years. At year end there were no outstanding issuances.

#### **EXECUTIVE COMMITTEE**

V Kodjo Diop (French)  
M Mothepu  
K Bhaga

S Kras (Dutch)  
MJ Hertz  
M Durandt

**BNP PARIBAS S.A., SOUTH AFRICA BRANCH**

**REPORT OF THE EXECUTIVE COMMITTEE (continued)  
for the year ended 31 December 2015**

**AUDITORS**

PricewaterhouseCoopers Inc.

**PERSON AUTHORISED TO ACCEPT SERVICE**

V Kodjo Diop (French)

S Kras (Dutch)

**PUBLIC OFFICER**

MJ Hertz

**Business address:**

The Piazza Building D, Office 201 D  
2nd Floor  
11 Crescent Drive  
Melrose Arch  
2196

**Postal address:**

Postnet Suite # 457  
Privatebag X1  
Melrose Arch  
2075

JOHANNESBURG

29 April 2016



## **INDEPENDENT AUDITOR'S REPORT TO THE HEAD OFFICE OF BNP PARIBAS S.A., SOUTH AFRICA BRANCH**

We have audited the financial statements of BNP Paribas S.A., South Africa Branch set out on pages 7 to 38, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### *Executive Committee's Responsibility for the Financial Statements*

The Branch's Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the Executive Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of BNP Paribas S.A., South Africa Branch as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.



*Other reports required by the Companies Act*

As part of our audit of the financial statements for the year ended 31 December 2015, we have read the Executive Committee's Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the Executive Committee. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on the report.

*PricewaterhouseCoopers Inc.*

**PricewaterhouseCoopers Inc.**

Director: I. Lim Ah Tock

Registered Auditor

Johannesburg

29 April 2016

# BNP PARIBAS S.A., SOUTH AFRICA BRANCH

## STATEMENT OF FINANCIAL POSITION at 31 December 2015

	Notes	2015 R '000	2014 R '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Derivative financial instruments	5	4,368,890	934,222
Loans and advances	4	2,302,350	462,689
Equipment and vehicles	2	6,232	6,673
Intangible assets	3	570	878
<b>Current assets</b>			
Loans and advances	4	5,699,174	1,165,849
Derivative financial instruments	5	1,297,583	112,002
Investment securities	6	745,901	72,348
Cash and cash equivalents	7	57,550	41,743
Other assets	8	20,666	20,873
<b>TOTAL ASSETS</b>		<b>14,498,916</b>	<b>2,817,277</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Derivative financial instruments	5	4,368,890	951,415
Deposits	9	202,221	462,959
<b>Current liabilities</b>			
Deposits	9	7,771,664	603,629
Derivative financial instruments	5	1,396,797	112,002
Provisions	10	9,322	10,555
Other liabilities	11	113,457	32,898
<b>TOTAL LIABILITIES</b>		<b>13,862,351</b>	<b>2,173,458</b>
<b>EQUITY</b>			
Endowment capital	12	726,991	726,991
Accumulated loss		(90,426)	(83,172)
<b>TOTAL EQUITY</b>		<b>636,565</b>	<b>643,819</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,498,916</b>	<b>2,817,277</b>



# BNP PARIBAS S.A., SOUTH AFRICA BRANCH

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2015

	Notes	2015 R '000	2014 R '000
Interest income	14	77,051	13,612
Interest expense	15	(143,077)	(5,303)
Net interest (expense) / income		(66,026)	8,309
Fee and commission income	16	53,709	28,522
Fee and commission expense	16	(12,983)	-
Net fee and commission income		40,726	28,522
Net profit on financial instruments classified as held for trading	17	129,350	24,922
Change in provision for credit impairment of contingent liabilities		3,226	(3,511)
Operating income		107,276	58,242
Personnel expenses		(54,096)	(47,423)
Head Office administration fees		(25,364)	(21,726)
Information Technology		(10,743)	(6,149)
Other operating costs	18	(23,555)	(21,818)
<b>Loss before taxation</b>		<b>(6,482)</b>	<b>(38,874)</b>
Taxation	19	-	-
<b>Loss after taxation</b>		<b>(6,482)</b>	<b>(38,874)</b>
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit and loss</b>			
- Change in value of available-for-sale financial assets		(772)	-
<b>Total comprehensive loss for the year</b>		<b>(7,254)</b>	<b>(38,874)</b>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the entity			
- Total comprehensive loss for the year		(7,254)	(38,874)

# BNP PARIBAS S.A., SOUTH AFRICA BRANCH

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2015

	Attributable to owners of the entity		
	Endowment capital	Accumulated loss	Total
	R '000	R '000	R '000
Balance at 1 January 2015	726,991	(83,172)	643,819
Comprehensive loss for the period:			
Net loss for year	-	(6,482)	(6,482)
Other comprehensive income	-	(772)	(772)
Total comprehensive loss for the year	-	(7,254)	(7,254)
<b>Balance at 31 December 2015</b>	<b>726,991</b>	<b>(90,426)</b>	<b>636,565</b>
Balance at 1 January 2014	342,000	(44,298)	297,702
Transfers from Head Office	384,991	-	384,991
Comprehensive loss for the period:			
Net loss for year	-	(38,874)	(38,874)
Total comprehensive loss for the year	-	(38,874)	(38,874)
<b>Balance at 31 December 2014</b>	<b>726,991</b>	<b>(83,172)</b>	<b>643,819</b>

# BNP PARIBAS S.A., SOUTH AFRICA BRANCH

## STATEMENT OF CASH FLOWS for the year ended 31 December 2015

	Notes	2015 R '000	2014 R '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash flow from operations	20.1	(450,408)	(98,268)
Increase in investment in advances net of deposits	20.2	534,311	(270,784)
Interest received		77,051	13,612
Interest paid		(143,077)	(5,303)
Cash flows from operating activities		<u>17,877</u>	<u>(360,743)</u>
<b>CASH UTILISED IN INVESTING ACTIVITIES</b>			
Acquisition of equipment and vehicles	2	(1,733)	(95)
Acquisition of intangible assets	3	(337)	(213)
Cash flows from investing activities		<u>(2,070)</u>	<u>(308)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in endowment capital		-	384,991
Proceeds from DMTN program		300,000	
Payments for DMTN program		(300,000)	
Other contributions from Head Office		-	-
Cash flows from financing activities		<u>-</u>	<u>384,991</u>
<b>Net increase in cash and cash equivalents</b>		<b>15,807</b>	<b>23,940</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>41,743</b>	<b>17,803</b>
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b><u>57,550</u></b>	<b><u>41,743</u></b>

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### SUMMARY OF ACCOUNTING POLICIES for the year ended 31 December 2015

#### Basis of reporting and presentation

The annual financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial instruments in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), and in the manner required by the Companies Act in South Africa. The principal accounting policies applied in the preparation of the financial statements are set out below.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Key judgements made in the preparation of these financial statements include whether loans and advances were impaired at the reporting date; the counterparty risk factored into the fair value of derivative financial instruments; and the remaining useful lives and residual values of equipment and vehicles.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *a) Amendments and interpretations effective for the financial year beginning on or after 1 January 2015*

The following amendments to existing standards and interpretations have been published and are effective for the financial year beginning on or after 1 January 2015:

- Amendment to IFRS 13 - 'Fair value measurement'. This amendment clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9.
- Amendment to IAS 16 - 'Property, plant and equipment'. This amendment clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.
- Amendment to IAS 19 - 'Employee benefits'. This amendment clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits.
- Amendment to IAS 24 - 'Related party disclosures'. Where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.
- Amendment to IAS 38 - 'Intangible assets'. This amendment clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.
- Amendment to IFRS 8 - 'Operating segments'. This amendment requires disclosure of the judgments made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.

There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on 1 January 2015.

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### SUMMARY OF ACCOUNTING POLICIES for the year ended 31 December 2015

#### Basis of reporting and presentation (continued)

*b) New standards and amendments not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Branch*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the branch, except the following set out below:

- IAS 1 – ‘Presentation of Financial Statements’ (effective 1 January 2016). This amendment explores how financial statement disclosures can be improved.
- Amendment to IAS 16 - ‘Property, plant and equipment’ (effective 1 January 2016). This amendment clarifies that a revenue-based method of depreciation or amortisation is generally not appropriate.
- Amendment to IAS 19 - ‘Employee benefits’ (effective 1 July 2016). This amendment clarifies that when determining the discount rate for postemployment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- Amendment to IAS 34 - ‘Interim financial reporting’ (effective 1 July 2016). This amendment clarifies what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’ and adds a requirement to cross-reference from the interim financial statements to the location of that information.
- Amendment to IAS 38 - ‘Intangible assets’ (effective 1 January 2016). This amendment clarifies that a revenue-based method of depreciation or amortisation is generally not appropriate.
- Amendment to IFRS 7 - ‘Financial instruments: disclosures’ (effective 1 July 2016). This amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute ‘continuing involvement’ and, therefore, whether the asset qualifies for derecognition.
- IFRS 9 - ‘Financial instruments’ (effective 1 January 2018). IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.
- IFRS 15 - ‘Revenue from contracts with customers’ (effective 1 January 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.
- IFRS 16 – Leases (effective date 1 January 2019): This IFRS is part of the IASB’s project to replace IAS 17. The standard applies to annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, ‘Revenue from Contracts with Customers’, is also applied.

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

#### Accounting policies

##### Financial assets

##### *Classification*

The Branch classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### SUMMARY OF ACCOUNTING POLICIES

for the year ended 31 December 2015

#### Accounting policies (continued)

##### Financial assets (continued)

###### *Classification (continued)*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Branch establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs, refined to reflect the issuer's specific circumstances.

###### *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedge. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (a) those that the Branch intends to sell immediately or in the short term, which are classified as held for trading, and those that the branch upon initial recognition designates as at fair value through profit and loss;
- (b) those that the Branch upon initial recognition designates as available for sale; or
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. The Branch's loans and receivables consist of cash and balances with banks and the central bank, placements with banks, due from other offices of the Bank, loans and advances to banks and loans and advances to customers.

###### *Available for sale*

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through the statement of comprehensive income.

###### *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Branch commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed to profit and loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Branch has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through the other comprehensive income are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## **BNP PARIBAS S.A., SOUTH AFRICA BRANCH**

### **SUMMARY OF ACCOUNTING POLICIES for the year ended 31 December 2015**

#### **Accounting policies (continued)**

##### **Financial assets (continued)**

###### *Recognition and measurement (continued)*

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in the statement of comprehensive income within 'Other (losses)/gains – net' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as "Change in value of available-for-sale financial assets".

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of interest income.

###### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

##### **Restructuring of assets classified as "loans and receivables"**

The restructuring of an asset classified in loans and receivables is considered to be a troubled debt restructuring when the Branch, for economic or legal reasons related to the borrower's financial difficulties, agrees to a modification of terms of the original transaction that it would not otherwise consider, resulting in the borrower's contractual obligation to the Branch, measured at present value, being reduced compared with the original terms.

At the time of restructuring, a discount is applied to the loan to reduce its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate. The decrease in the asset value is recognised in the statement of comprehensive income under "Impairment losses on loans and advances".

When the restructuring consists of a partial or full settlement with other substantially different assets, the original debt and the assets received in settlement are recognised at their fair value on the settlement date. The difference in value is recognised in statement of comprehensive income under "Impairment losses on loans and advances".

##### **Derivative financial instruments**

All derivative instruments are recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivative financial instruments include foreign exchange contracts, interest rate swaps, currency options (both written and purchased) and other derivative financial instruments. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative, with the gain or loss taken to the statement of comprehensive income.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

## **BNP PARIBAS S.A., SOUTH AFRICA BRANCH**

### **SUMMARY OF ACCOUNTING POLICIES for the year ended 31 December 2015**

#### **Accounting policies (continued)**

##### **Foreign exchange**

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the Branch operates (the “functional currency”). The financial statements are presented in South African Rand (“ZAR”), which is the Branch’s functional and presentation currency.

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 statement of comprehensive income.

##### **Equipment and vehicles**

Equipment and vehicles are carried at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to reduce the carrying amounts to estimated residual values over the estimated useful lives of the related assets. The useful lives of the Equipment and vehicles are estimated as follows:

Computer equipment	- 3 to 5 years
Office equipment and furniture	- 5 to 10 years
Motor vehicles	- 5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

##### **Intangible assets**

Intangible assets comprise of computer software and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to reduce the carrying amounts to estimated residual values over the estimated useful lives of the assets. Intangible assets have a maximum useful life of 3 years.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

##### **Current and deferred taxation**

Taxation for the year comprises current and deferred taxation. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are calculated using the liability method, for all temporary differences arising between the tax base of assets and liabilities and the carrying amounts for financial reporting purposes. A deferred taxation liability is recognised for all taxable temporary differences at the current rates of taxation. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at reporting date.



## **BNP PARIBAS S.A., SOUTH AFRICA BRANCH**

### **SUMMARY OF ACCOUNTING POLICIES**

**for the year ended 31 December 2015**

#### **Accounting policies (continued)**

##### **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including: cash and balances with central banks, balances with group banks and balances with other banks.

##### **Provisions**

Provisions are recognised when the Branch has a present legal obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

##### **Financial liabilities**

All money market deposits, customer deposits, and related party deposits in issue are initially recognised at fair value less transaction costs. Financial liabilities at fair value through profit and loss is recognised initially at fair value and transaction costs are taken directly to the statement of comprehensive income. Subsequently all interest-bearing financial liabilities other than those held at fair value through profit and loss are measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium. Premiums are amortised and discounts accreted on an effective yield basis to maturity and taken to the statement of comprehensive income as commission.

Financial liabilities classified as fair value through profit and loss, if any, include (i) liabilities held for trading and (ii) liability designated as at fair value through profit and loss on initial recognition if such liability satisfies the criteria laid down by IAS39. After initial recognition, these liabilities are measured at fair value and the resulting gain or loss is included in the statement of comprehensive income.

Financial liabilities (or portions thereof) are derecognised when the obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in profit or loss.

##### **Impairment of loans and receivables, provisions for financing and guarantee commitments**

An impairment loss is recognised against loans where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis. Similar principles are applied to financing and guarantee commitments given by the Branch, with the probability of drawdown taken into account in any assessment of financing commitments.

At an individual level, objective evidence that a financial asset is impaired includes observable data regarding the following events:

- the existence of accounts that are more than three months past due (six months past due for real estate loans and loans to local authorities);
- knowledge or indications that the borrower meets significant financial difficulty, such that a risk can be considered to have arisen regardless of whether the borrower has missed any payments;
- concessions with respect to the credit terms granted to the borrower that the lender would not have considered had the borrower not been meeting financial difficulty.

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are recognised in the statement of comprehensive

## **BNP PARIBAS S.A., SOUTH AFRICA BRANCH**

### **SUMMARY OF ACCOUNTING POLICIES for the year ended 31 December 2015**

#### **Accounting policies (continued)**

#### **Impairment of loans and receivables, provisions for financing and guarantee commitments (continued)**

income. Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the statement of comprehensive income. Once an asset has been impaired, the theoretical income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under "Interest income" in the statement of comprehensive income.

Counterparties that are not individually impaired are risk-assessed on a portfolio basis with similar characteristics. This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. It enables the Branch to identify Branches of counterparties which, as a result of events occurring since inception of the loans, have collectively acquired a probability of default at maturity that provides objective evidence of impairment of the entire portfolio, but without it being possible at that stage to allocate the impairment to individual counterparties. This assessment also estimates the amount of the loss on the portfolios in question, taking account of trends in the economic cycle during the assessment period. Changes in the amount of portfolio impairments are recognised in the statement of comprehensive income.

Based on the experienced judgement of the Bank's divisions or Risk Management, the Branch may recognise additional collective impairment provisions with respect to a given economic sector or geographic area affected by exceptional economic events. This may be the case when the consequences of these events cannot be measured with sufficient accuracy to adjust the parameters used to determine the collective provision recognised against affected portfolios of loans with similar characteristics.

#### **Impairment of available-for-sale financial assets**

Impairment of available-for-sale financial assets (which mainly comprise securities) is recognised on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since acquisition.

In the case of variable-income securities quoted in an active market, the control system identifies securities that may be impaired on a long term basis and is based on criteria such as a significant decline in quoted price below the acquisition cost or a prolonged decline, which prompts the Branch to carry out an additional individual qualitative analysis. This may lead to the recognition of an impairment loss calculated on the basis of the quoted price.

Apart from the identification criteria, the Branch has determined three indications of impairment, one being a significant decline in price, defined as a fall of more than 50% of the acquisition price, another being a prolonged decline over two consecutive years and the final one being a decline on average of at least 30% over an observation period of one year. The Branch believes that a period of two years is what is necessary for a moderate decline in price below the purchase cost to be considered as something more than just the effect of random volatility inherent in the stock markets or a cyclical change lasting a few years, but which represents a lasting phenomenon justifying an impairment.

A similar method is applied for variable-income securities not quoted in an active market. Any impairment is then determined based on the model value.

In the case of fixed-income securities, impairment is assessed based on the same criteria applied to individually impaired loans and receivables. For securities quoted in an active market, impairment is determined based on the quoted price. For all the others, it is determined based on model value.

Impairment losses taken against variable-income securities are recognised as a component of Revenues on the line "Net gain/loss on available-for-sale financial assets", and may not be reversed through the statement of comprehensive income account until these securities are sold. Any subsequent decline in fair value constitutes an additional impairment loss, recognised in the statement of comprehensive income.

## **BNP PARIBAS S.A., SOUTH AFRICA BRANCH**

### **SUMMARY OF ACCOUNTING POLICIES**

**for the year ended 31 December 2015**

#### **Accounting policies (continued)**

##### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

##### **Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### **Net fee and commission income**

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Branch retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

##### **Operating leases**

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT

##### *Financial Risk Factors*

The Branch's activities expose it to a variety of financial risks and involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Branch's aim is, therefore, to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Branch's financial performance.

The Branch's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realisable and up-to-date information systems. Head Office regularly reviews the Branch's risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the senior management under policies that are approved by the Head Office. The regional management is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, market risk and liquidity risk.

##### *Risk controlling*

The regional management which is inclusive of the management of the regional operational functions is responsible for monitoring compliance with risk principles, policies and limits, within the Branch as well as for managing the Branch's assets and liabilities and overall financial structure. The Head Office is primarily responsible for the funding and liquidity risks of the Branch.

##### *Inspection Generale (Internal audit)*

Risk management processes in the Branch are audited by the internal audit department that examines both the adequacy of the procedures and the Branch's compliance with the procedures approved by Head Office. The internal auditor discusses the results of all assessments with management, and reports its findings and recommendations to the management and Head Office.

#### *1.1 Credit risk*

The Branch takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Branch by failing to discharge an obligation. Credit risk is the most important risk for the Branch's business; Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Branch's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and guarantee commitments. The management and control of credit risk is centralised in the credit risk management team and reports to the Management Committee and head of each business unit regularly.

##### *1.1.1 Credit risk measurement*

###### *(a) Loans and advances*

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Branch reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposure to the counterparty and its likely future development, from which the Branch derives the 'exposure at default'; and

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT (continued)

##### 1.1 Credit risk (continued)

##### 1.1.1 Credit risk measurement (continued)

(iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

(i) The Branch assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with the credit officer's judgment and are validated, where appropriate, by comparison with externally available data. The Branch's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Branch regularly validates the performance of the ratings and their predictive power with regard to default events.

##### *Branch internal ratings scale and mapping of external ratings*

<i>Branch rating</i>	<i>Description of the grade</i>	<i>External rating: Standard &amp; Poor's equivalent</i>
1 - 5	Investment grade	AAA, AA+, AA-, A+, A-, BBB+, BBB, BBB-
6 - 10	Standard monitoring	BB+, BB, BB-, B+, B, B-, CCC to C
11 - 12	Sub-standard/Defaulted	D

The ratings of the major rating agency shown in the table above are mapped to our rating classes based on the long-term average default rates for each external grade. The Branch uses the external ratings where available to benchmark our internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts the Branch expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Branch includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Branch's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

##### (b) Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's ratings or their equivalents are used by Treasury for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

##### 1.1.2 Risk limit control and mitigation policies

The Branch attempts to control credit risk both on and off-balance sheet by monitoring credit exposure, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. Limits on the level of credit risk by product, industry sector and by country are approved by the Head Office.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT (continued)

##### 1.1 Credit risk (continued)

##### 1.1.2 Risk limit control and mitigation policies (continued)

the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Branch's performance to developments affecting a particular industry or geographic location.

The Branch attempts to manage its credit risk exposure through diversification of its investments, capital markets and lending activities to avoid undue concentrations of risks with individuals or customers in specific locations or businesses.

##### (a) Derivatives

The Branch maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Branch (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Branch requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Branch's market transactions on any single day.

##### (b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Branch on behalf of a customer authorising a third party to draw drafts on the Branch up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Branch is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Branch monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

##### 1.1.3 Impairment and provisioning policies

The internal and external rating systems described in Note 1.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT (continued)

##### 1.1 Credit risk (continued)

##### 1.1.3 Impairment and provisioning policies (continued)

management and banking regulation purposes.

The Branch's impairment provision at the year end was R 285,000 (2014: R 3,511,000), which was all related to guarantees.

The Branch's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

##### 1.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	2015 R '000	2014 R '000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances	8,001,524	1,628,538
Held for trading fair value derivative financial instruments	5,666,473	1,046,224
Available for sale investment securities	745,901	72,348
Cash and short term funds	57,550	41,743
Other assets	20,666	20,873
Credit risk exposures relating to off-balance sheet items are as follows:		
Performance guarantees	1,249,855	237,333
Unutilised committed loan facilities	70,398	-
Letters of credit	1,408	365
At 31 December	<u>15,813,775</u>	<u>3,047,424</u>

The above table represents a worst case scenario of credit risk exposure to the Branch at 31 December 2015, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Management's view of the exposure to credit risk in the Branch resulting from its combined portfolio of transactions is based on the following:

- 100% of the portfolio is categorised as investment grade;
- 100% of the portfolio is considered to be neither past due nor impaired;

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT (continued)

##### 1.1 Credit risk (continued)

##### 1.1.5 Loans and advances

All loans and advances are neither past due nor impaired, with no impairment provision.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Branch.

	Term loans	Loans and advances to large corporate customers Call loans and current accounts	Total loans and advances to customers	Loans and advances to banks
<b>December 2015</b>				
Investment grade	958,325	911,398	1,869,723	6,131,801
	<u>958,325</u>	<u>911,398</u>	<u>1,869,723</u>	<u>6,131,801</u>
<b>December 2014</b>				
Investment grade	231,515	48,559	280,074	1,348,464
	<u>231,515</u>	<u>48,559</u>	<u>280,074</u>	<u>1,348,464</u>

##### 1.1.6 Credit valuation adjustment (CVA) and debt valuation adjustment (DVA)

The Branch does not account for CVA on any of the derivative trades as there is an agreement with Head Office that any loss arising out of a credit event will be absorbed by them.

DVA would not be applicable to the Branch and is considered by our Head Office.

##### 1.2 Market risk

The Branch takes on exposure to market risks, 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 risks arise from open positions in interest rate and currency products, all 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, credit spreads and foreign exchange rates.

The market risks are concentrated in Treasury and monitored separately. The Branch limits market risk through its Head Office by maintaining a diversified portfolio, proactively monitoring the key factors that effect market movements and periodically analysing the operating and financial performance of its customers.

Trading portfolios include those positions arising from market-making transactions where the Branch acts as principal with clients or with the market.

##### 1.3 Price risk

The Branch is not exposed to any significant price risk.



## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT (continued)

##### 1.4 Currency risk

Currency risk arises from foreign currency denominated assets and liabilities, including positions in foreign exchange derivatives. Non-derivative positions comprise foreign currency nostro balances, loans and deposits, which are short-term in nature and denominated in major currencies. The Branch uses forward exchange contracts to manage the currency risk arising from these positions (refer note 8). Head Office sets limits on the level of exposure by currency and in total for positions, which are monitored daily.

The table below shows the currencies to which the Branch has a significant exposure as at December 31 on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against all currencies, with all other variables held constant, on the statement of comprehensive income. A positive effect shows a potential increase in statement of comprehensive income and equity; whereas a negative effect shows a potential net reduction in statement of comprehensive income or equity.

As at 31 December 2015 (R '000's)	USD	GBP	EUR	Other
Change in currency rate by +/- 10%	+/- 79	+/- 8	+/- 141	-
As at 31 December 2014 (R '000's)	USD	GBP	EUR	Other
Change in currency rate by +/- 10%	+/- 138	-	+/- 257	-

The Branch takes on exposures to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Head Office sets limits on the level of exposures by currency and in total, which are monitored regularly.

The table below analyses significant currency positions of the Branch by currency:

As at 31 December 2015 (R '000's)	USD	GBP	EUR	Other
Loans and advances	4,523,405	85,093	16,138	-
Cash and short term funds	-	-	14,951	-
Other assets	28	-	-	-
Deposits	(5,300,016)	(84,990)	(20,390)	-
Other liabilities	(14,905)	(21)	(12,112)	-
Net derivative positions	792,282	-	-	-
<b>Net position</b>	<b>794</b>	<b>82</b>	<b>(1,413)</b>	<b>-</b>
As at 31 December 2014 (R '000's)	USD	GBP	EUR	Other
Loans and advances	1,579,979	-	-	-
Cash and short term funds	938	-	9,416	-
Deposits	(943,010)	-	-	-
Other liabilities	(8,378)	-	(6,844)	-
Net derivative positions	(628,153)	-	-	-
<b>Net position</b>	<b>1,377</b>	<b>-</b>	<b>2,572</b>	<b>-</b>

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT (continued)

##### 1.5 Interest rate risk

The Branch is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. These exposures arise from interest-bearing loans and deposits and interest-bearing trading and investment securities.

As at 31 December 2015 (R '000's)	Up to 6 months	More than 6 months to 12 months	Over 1 year	Non-interest bearing	Total
<b>Interest-sensitive assets</b>					
Cash and short term funds	25,800	-	-	31,750	57,550
Loans and advances	8,001,524	-	-	-	8,001,524
Securities	708,521	37,380	-	-	745,901
	<u>8,735,845</u>	<u>37,380</u>	<u>-</u>	<u>31,750</u>	<u>8,804,975</u>
<b>Interest-sensitive liabilities</b>					
Deposits	7,875,556	-	-	98,329	7,973,885
	<u>7,875,556</u>	<u>-</u>	<u>-</u>	<u>98,329</u>	<u>7,973,885</u>
<b>Total Interest sensitivity gap</b>	<u>860,289</u>	<u>37,380</u>	<u>-</u>	<u>(66,579)</u>	<u>831,090</u>
 As at 31 December 2014 (R '000's)	 Up to 6 months	 More than 6 months to 12 months	 Over 1 year	 Non-interest bearing	 Total
<b>Interest-sensitive assets</b>					
Cash and short term funds	41,743	-	-	-	41,743
Loans and advances	1,628,538	-	-	-	1,628,538
Other assets	72,348	-	-	-	72,348
	<u>1,742,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,742,629</u>
<b>Interest-sensitive liabilities</b>					
Deposits	1,003,156	-	-	63,432	1,066,588
	<u>1,003,156</u>	<u>-</u>	<u>-</u>	<u>63,432</u>	<u>1,066,588</u>
<b>Total Interest sensitivity gap</b>	<u>739,473</u>	<u>-</u>	<u>-</u>	<u>(63,432)</u>	<u>676,041</u>

The following table depicts the sensitivity to a reasonable possible change in interest rates, with other variables held constant, on the Branch's statement of comprehensive income.

As at 31 December 2015 (R '000's)	Up to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 12 months	Cumulative total for 12 months
<b>Increase of 200 points</b>	<u>5,934</u>	<u>11,868</u>	<u>18,001</u>	<u>36,100</u>	<u>72,201</u>
<b>Decrease of 200 points</b>	<u>(5,934)</u>	<u>(11,868)</u>	<u>(18,001)</u>	<u>(36,100)</u>	<u>(72,201)</u>

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT (continued)

##### 1.5 Interest rate risk (continued)

As at 31 December 2014 (R '000's)	Up to 1 month	More than 1 month to 3	More than 3 months to 6	More than 6 months to 12	Cumulative total for 12
Increase of 200 points	443	886	1,342	2,692	5,384
Decrease of 200 points	(443)	(886)	(1,342)	(2,692)	(5,384)

##### 1.6 Liquidity risk

The Branch is exposed to daily calls on its available cash resources from overnight deposits, maturing deposits, loan draw downs, guarantees and from other calls on cash settled derivatives. The Branch does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Head Office sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table below analyses assets and liabilities of the Branch into relevant maturity buckets/groupings based on the remaining period at the reporting date to the contractual maturity date.

As at 31 December 2015 (R '000's)	Up to 1 month	More than 1 month to 6	More than 6 months to 12	Over 1 year	Total
<b>Assets</b>					
Loans and advances	5,201,566	497,608	-	2,302,350	8,001,524
Derivative financial instruments	5,666,473	-	-	-	5,666,473
Investment securities	181,865	526,656	37,380	-	745,901
Cash and short term funds	57,550	-	-	-	57,550
Other assets	27,468	-	-	-	27,468
	<u>11,134,922</u>	<u>1,024,264</u>	<u>37,380</u>	<u>2,302,350</u>	<u>14,498,916</u>
<b>Liabilities</b>					
Derivative financial instruments	5,765,687	-	-	-	5,765,687
Deposits	6,086,186	1,685,478	-	202,221	7,973,885
Other liabilities	122,776	-	-	-	122,776
	<u>11,974,649</u>	<u>1,685,478</u>	<u>-</u>	<u>202,221</u>	<u>13,862,348</u>
<b>Letters of credit and commitments</b>					
Unutilised committed loan facilities	70,398	-	-	-	70,398
Letters of credit	1,408	-	-	-	1,408
	<u>71,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,806</u>
<b>Net liquidity gap</b>	<u>(911,533)</u>	<u>(661,214)</u>	<u>37,380</u>	<u>2,100,129</u>	<u>564,762</u>

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT (continued)

##### 1.6 Liquidity risk (continued)

As at 31 December 2014 (R '000's)	Up to 1 month	More than 1 month to 6	More than 6 months to 12	Over 1 year	Total
<b>Assets</b>					
Loans and advances	676,120	479,729	-	472,689	1,628,538
Derivative financial instruments	1,046,224	-	-	-	1,046,224
Investment securities	-	72,348	-	-	72,348
Cash and short term funds	41,743	-	-	-	41,743
Other assets	28,424	-	-	-	28,424
	<u>1,792,511</u>	<u>552,077</u>	<u>-</u>	<u>472,689</u>	<u>2,817,277</u>
<b>Liabilities</b>					
Derivative financial instruments	1,063,417	-	-	-	1,063,417
Deposits	573,611	20,018	-	472,959	1,066,588
Other liabilities	43,453	-	-	-	43,453
	<u>1,680,481</u>	<u>20,018</u>	<u>-</u>	<u>472,959</u>	<u>2,173,458</u>
<b>Letters of credit</b>					
Letters of credit	365	-	-	-	365
	<u>365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365</u>
<b>Net liquidity gap</b>	<u>111,665</u>	<u>532,059</u>	<u>-</u>	<u>(270)</u>	<u>643,454</u>

Since the majority of loans and deposits are short-term in nature and the trading and investment assets comprise readily marketable securities, the Branch is able to liquidate positions in order to manage liquidity risk.

Liquidity shortfalls will be met by selling marketable securities, obtaining intergroup funding and utilising any unutilised interbank funding capacity of R600,000,000 (2014 : R600,000,000).

##### 1.7 Fair value hierarchy

Inputs to the valuation techniques used by the Branch to determine the carrying amounts of financial instruments measured at fair value may be either observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Branch's market assumptions. The fair values can be analysed into the following categories based on the nature of those inputs:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 1 FINANCIAL RISK MANAGEMENT (continued)

##### 1.7 Fair value hierarchy (continued)

The following table analyses the financial instruments of the Branch measured at fair value into these categories:

##### As at 31 December 2015

	Level 1 R '000	Level 2 R '000	Level 3 R '000
<b>Assets</b>			
Financial assets held for trading			
- Derivatives	-	4,368,890	-
- Securities		745,901	-
<b>Total Assets</b>	<u>-</u>	<u>5,114,791</u>	<u>-</u>
<b>Liabilities</b>			
Financial assets held for trading			
- Derivatives	-	4,368,890	-
<b>Total Liabilities</b>	<u>-</u>	<u>4,368,890</u>	<u>-</u>

##### As at 31 December 2014

	Level 1 R '000	Level 2 R '000	Level 3 R '000
<b>Assets</b>			
Financial assets held for trading			
- Derivatives	-	1,046,224	-
- Securities	-	72,348	-
<b>Total Assets</b>	<u>-</u>	<u>1,046,224</u>	<u>-</u>
<b>Liabilities</b>			
Financial assets held for trading			
- Derivatives	-	(1,063,417)	-
<b>Total Liabilities</b>	<u>-</u>	<u>(1,063,417)</u>	<u>-</u>

##### Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of forward exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

	Computer equipment R '000	Office equipment and furniture R '000	Motor vehicles R '000	Total R '000
<b>2 EQUIPMENT AND VEHICLES</b>				
<b>Movement for the year ended 31 December 2015</b>				
Opening net book value	1,077	5,386	210	6,673
Acquisitions	1,698	35	-	1,733
Depreciation	(1,194)	(1,118)	(70)	(2,382)
Other	318	(110)		208
Closing net book value	<u>1,899</u>	<u>4,193</u>	<u>140</u>	<u>6,232</u>
<b>At 31 December 2015</b>				
Cost	4,401	6,648	350	11,399
Accumulated depreciation	(2,502)	(2,455)	(210)	(5,167)
Net book value	<u>1,899</u>	<u>4,193</u>	<u>140</u>	<u>6,232</u>
<b>Movement for the year ended 31 December 2014</b>				
Opening net book value	1,322	6,073	280	7,675
Acquisitions	94	1	-	95
Depreciation	(339)	(688)	(70)	(1,097)
Closing net book value	<u>1,077</u>	<u>5,386</u>	<u>210</u>	<u>6,673</u>
<b>At 31 December 2014</b>				
Cost	1,704	6,762	350	8,816
Accumulated depreciation	(627)	(1,376)	(140)	(2,143)
Net book value	<u>1,077</u>	<u>5,386</u>	<u>210</u>	<u>6,673</u>

# BNP PARIBAS S.A., SOUTH AFRICA BRANCH

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

	Computer Software R '000
<b>3 INTANGIBLE ASSETS</b>	
<b>Movement for the year ended 31 December 2015</b>	
Opening net book value	878
Acquisition	337
Amortisation	(436)
Other	(209)
Closing net book value	<u>570</u>
<b>At 31 December 2015</b>	
Cost	1,514
Accumulated amortisation	(944)
Net book value	<u>570</u>
<b>Movement for the year ended 31 December 2014</b>	
Opening net book value	1,295
Acquisition	213
Amortisation	(630)
Closing net book value	<u>878</u>
<b>At 31 December 2014</b>	
Cost	2,040
Accumulated amortisation	(1,162)
Net book value	<u>878</u>

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

	2015 R '000	2014 R '000
<b>4 LOANS AND ADVANCES</b>		
<i>Non current:</i>		
Term loans to other banks	2,099,879	462,689
Term loans to corporates	202,471	-
	<u>2,302,350</u>	<u>462,689</u>
<i>Current:</i>		
Term loans to other banks	4,031,922	803,534
Term loans to corporates	755,854	231,515
Call loans and current accounts to corporates	878,813	7,999
Advances to Central Clearing Counterparty	32,585	40,560
Term loans to group banks	-	82,241
	<u>5,699,174</u>	<u>1,165,849</u>

The carrying amounts of loans and advances are a close approximation of their fair values.

### 5 DERIVATIVE FINANCIAL INSTRUMENTS

The table below provides a detailed breakdown of the contractual or notional amounts and the fair values of the Branch's open positions in derivative financial instruments at 31 December 2015, which arise from trading activities. These derivatives allow the Branch and its customers to transfer, modify or reduce their market risks.

	Gross notional amount R '000	Fair values	
		Assets R '000	Liabilities R '000
<b>At 31 December 2015</b>			
<i>Non current:</i>			
Forward exchange contracts	1,621,393	166,471	(166,471)
Currency swaps	23,312,036	4,202,419	(4,202,419)
		<u>4,368,890</u>	<u>(4,368,890)</u>
<i>Current:</i>			
Forward exchange contracts	18,103,595	1,297,583	(1,396,797)
		<u>1,297,583</u>	<u>(1,396,797)</u>
	Gross notional amount R '000	Fair values	
		Assets R '000	Liabilities R '000
<b>At 31 December 2014</b>			
<i>Non current:</i>			
Forward exchange contracts	1,846,570	17,956	(17,956)
Currency swaps	16,841,060	916,266	(933,459)
		<u>934,222</u>	<u>(951,415)</u>
<i>Current:</i>			
Forward exchange contracts	4,615,771	112,002	(112,002)
		<u>112,002</u>	<u>(112,002)</u>



## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

#### 5 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign exchange exposures associated with derivatives held for trading are normally offset by entering into counterbalancing positions, thereby minimising the foreign exchange risk and cash amounts required to liquidate the contracts. The Branch maintains strict control limits on net open positions, i.e. the difference between purchase and sale contracts, by both currency and term.

Foreign exchange exposures associated with derivatives used in interest rate arbitrage operations are normally offset by entering into money market transactions in local and offshore markets.

**Forward exchange contracts** are over-the-counter ("OTC") contractual obligations to buy or sell foreign currency on a future date at a specified price.

**Interest rate swaps** are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates. The Branch's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, which is a proportion of the notional amount of the contracts, and the liquidity of the market.

**Currency swaps** are arrangements in which two parties exchange specific amounts of different currencies initially, and a series of interest payments on the initial cash flows are exchanged.

**Forward rate agreements** are arrangements in which an interest rate is specified to be paid on an obligation beginning on some future date.

As noted above, the notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Branch's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The Branch undertakes the majority of its transactions in foreign exchange and interest rate contracts with other financial institutions.

#### 6 INVESTMENT SECURITIES

##### *Available for sale*

	2015 R '000	2014 R '000
Treasury bills	651,291	72,348
Debentures	94,610	-
	<u>745,901</u>	<u>72,348</u>

Treasury bills are debt securities issued by the South African Reserve Bank (SARB) for a term of three, six or nine months. SARB Debentures are debt securities issued by the South African Treasury department for a term of one month. Bills are categorised as available-for-sale assets and carried at their fair value. All bills are subject to a fixed interest rate.

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

	2015 R '000	2014 R '000
<b>7 CASH AND CASH EQUIVALENTS</b>		
Coins and bank notes	1	25
Balances with the South African Reserve Bank	41,891	11,862
Balances with group banks	14,951	10,354
Balances with other banks	707	19,502
	<u>57,550</u>	<u>41,743</u>

Banks are required to deposit a minimum average balance, calculated monthly, with the South African Reserve Bank, which is not available for use in the group's day to day operations. These deposits bear little or no interest.

The carrying amounts of cash and cash equivalents are a close approximation of their fair values.

### 8 OTHER ASSETS

Receivables from group entities	19,182	19,835
Other	1,484	1,038
	<u>20,666</u>	<u>20,873</u>

Other assets are short-term in nature and the carrying amounts are a close approximation of their fair values.

### 9 DEPOSITS

#### *Non current:*

Term deposits by group banks	202,221	462,959
	<u>202,221</u>	<u>462,959</u>

#### *Current:*

Term deposits by group banks	5,200,823	480,051
Term deposits by corporates	2,447,575	60,144
Call deposits and current accounts by corporates	120,914	63,432
Call deposits and current accounts by group entities	2,352	-
Call deposits and current accounts by banks	-	2
	<u>7,771,664</u>	<u>603,629</u>

### 10 PROVISIONS

#### *10.1 Staff bonuses*

Opening Balance	7,044	7,894
Utilised during the year	(7,044)	(7,894)
New provision for the year	9,037	7,044
	<u>9,037</u>	<u>7,044</u>

Provision for Staff Bonuses is payable within 3 months of the reporting date.

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

	2015 R '000	2014 R '000
<b>10 PROVISIONS (continued)</b>		
<i>10.2 Credit Provision</i>		
Opening Balance	3,511	-
Utilised during the year	(3,511)	-
New provision for the year	285	3,511
	<u>285</u>	<u>3,511</u>

Amount is related to a collective provision on counterparties rated 8 to 10 on the Branch's internal ratings model.

Total Provisions	<u>9,322</u>	<u>10,555</u>
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## 11 OTHER LIABILITIES

South African Reserve Bank	76,170	-
Payables to group entities	17,315	20,172
Unearned Income	10,321	8,689
Other	6,856	1,818
South African Revenue Services	2,795	2,219
	<u>113,457</u>	<u>32,898</u>

## 12 ENDOWMENT CAPITAL

The Branch's endowment capital is the capital contribution from BNP Paribas S.A (Head Office) of R 726,991,000 (2014 : R 726,991,000) which constitutes Tier 1 capital as per the definition of regulated capital from the South African Reserve Bank. The Branch is a full branch of BNP Paribas S.A., therefore BNP Paribas S.A., will continue to provide such financial support to meet its ongoing financial commitment as may be required by the Branch.

## 13 REVENUE

The Branch's revenues are derived from banking and related activities and comprise net interest income, fee and commission income and trading and other income. These revenues are set out in the statement of comprehensive income and accompanying notes.

## 14 INTEREST INCOME

Loans to banks	33,349	6,968
Treasury Bills	23,287	3,647
Loans to customers	20,415	2,997
	<u>77,051</u>	<u>13,612</u>

The Branch has reclassified interest income of R 25,188,000 in 2014 to net profit on financial instruments classified as held for trading. This change better reflects the nature of income and expenses and did not impact the Operating Income of the Branch.

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

	2015 R '000	2014 R '000
<b>15 INTEREST EXPENSE</b>		
Deposits from customers	128,148	2,945
Deposits from banks	9,970	2,358
Domestic Medium Term Note	4,959	-
	<u>143,077</u>	<u>5,303</u>
<b>16 NET FEE AND COMMISSION INCOME</b>		
<i>Fee and commission income:</i>		
Commission fee income	30,311	5,841
Other fee income from Group companies	23,398	22,681
	<u>53,709</u>	<u>28,522</u>
<i>Fee and commission expense:</i>		
Commission fee income	12,983	-
	<u>12,983</u>	<u>28,522</u>
<b>17 NET LOSSES ON FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR TRADING</b>		
Net trading gains/(losses):		
- Foreign exchange	129,350	24,922
	<u>129,350</u>	<u>24,922</u>
The Branch has reclassified interest income of R 25,188,000 in 2014 to net profit on financial instruments classified as held for trading. This change better reflects the nature of income and expenses and did not impact the Operating Income of the branch.		
<b>18 OTHER OPERATING COSTS</b>		
Auditors' remuneration		
- fee for audit	697	711
Consulting Fees	5,599	6,647
Depreciation and amortisation	2,818	1,727
Indirect taxes	5,892	4,623
Operating lease – premises	2,936	1,928
Travel and entertainment	2,956	4,182
Other operating expenses	2,657	2,000
	<u>23,555</u>	<u>21,818</u>
<b>19 TAXATION</b>		
<i>19.1 Income Tax</i>		
South African normal taxation:		
- Current	-	-
- Deferred	-	-
	<u>-</u>	<u>-</u>

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

	2015 R '000	2014 R '000
<b>19 TAXATION (continued)</b>		
Accounting loss	(6,482)	(38,874)
Reconciliation of rate of taxation:	%	%
Standard rate of taxation	28%	28%
Deferred Tax not recognised	-28%	-28%
Effective rate of taxation	0%	0%

#### 19.2 Deferred tax

No deferred tax asset has been raised for the 2015 year. The Branch has an assessable loss amounting to R 69,470,000 (2014: R 63,302,000) to be utilised against future taxable income.

## 20 CASH FLOW INFORMATION

#### 20.1 Cash flow from operations:

Net loss before taxation	(6,482)	(38,874)
Adjustment for:		
Depreciation and amortisation	2,819	1,727
Interest received	(77,051)	(13,612)
Interest paid	143,077	5,303
Change in value of available-for-sale financial assets	(772)	-
Changes in derivatives	82,021	17,193
Increase in securities	(673,553)	(72,348)
Increase in sundry accounts receivable and prepayments	207	(3,893)
Increase in provisions	(1,233)	2,661
Increase in sundry accounts payable	80,559	3,575
	<u>(450,408)</u>	<u>(98,268)</u>

#### 20.2 Increase in investment in advances net of deposits

Increase in deposits	6,907,297	1,038,242
Increase in loans and advances	(6,372,986)	(1,309,026)
	<u>534,311</u>	<u>(270,784)</u>

## 21 COMMITMENTS AND CONTINGENT LIABILITIES

The Branch has commitments and contingent liabilities in respect of:

Performance guarantees	1,249,855	237,333
Unutilised committed loan facilities	70,398	-
Letters of credit	1,408	365
	<u>1,321,661</u>	<u>237,698</u>

## BNP PARIBAS S.A., SOUTH AFRICA BRANCH

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 December 2015

2015	2014
R '000	R '000

#### 22 OPERATING LEASE COMMITMENTS

The future minimum lease payments under lease rental agreements for office premises are as follows:

Not later than 1 year	1,712	1,218
Later than 1 year and not later than 5 years	7,631	-
	<u>9,343</u>	<u>1,218</u>

#### 23 RELATED PARTIES

##### 23.1 Key management personnel compensation:

Short-term employee benefits	13,726	12,516
Post-employment benefits	418	376
<b>Total</b>	<u>14,144</u>	<u>12,892</u>

##### 23.2 Transactions with other related parties:

Transactions are entered into with BNP Paribas S.A. group companies for purposes of trade finance, interest arbitrage and risk management operations and to acquire funding.

##### Notional amount of transactions for the year ended 31 December 2015:

Loans and Deposits	147,013,364	11,639,204
Swap purchases/sales of currency	132,467,461	30,854,095
Forward purchases/sales of currency	10,942,023	4,453,680
Spot purchases/sales of currency	5,123,620	4,977,788
Forward rate agreements	25,000	-
<b>Total</b>	<u>295,571,468</u>	<u>51,924,767</u>

##### Outstanding balances at 31 December 2015:

<b>Net Derivatives</b>		
BNP Paribas Paris (Fellow branch)	5,335,220	711,142
<b>Advances</b>		
BNP Paribas Bahrain (Fellow branch)	-	82,241
<b>Nostro Balances</b>		
BNP Paribas New York (Fellow branch)	(2,342)	938
BNP Paribas London (Fellow branch)	(10)	9,416
BNP Paribas Paris (Fellow branch)	14,951	
<b>Deposits</b>		
BNP Paribas Security Services (Subsidiary of head office)	10,000	10,000
BNP Paribas Securities South Africa (Subsidiary of head office)	22,585	30,510
BNP Paribas Bahrain (Fellow branch)	5,200,823	943,010

**BNP PARIBAS S.A., SOUTH AFRICA BRANCH****NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 December 2015**

	2015 R '000	2014 R '000
<b>23 RELATED PARTIES (continued)</b>		
<b>Other Receivables</b>		
BNP Paribas Paris (Fellow branch)	19,342	19,172
BNP Paribas Securities South Africa (Subsidiary of head office)	-	663
<b>Other Payables</b>		
BNP Paribas Security Services (Subsidiary of head office)	52	672
BNP Paribas Paris (Fellow branch)	10,689	6,476
<b>Head Office administration fees</b>		
BNP Paribas Bahrain (Fellow branch)	13,951	9,095
BNP Paribas Paris (Fellow branch)	11,413	12,631