Pillar 3 Disclosure

31 December 2022

BNP PARIBAS
South Africa Branch

The bank
for a changing
world

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INTRODUCTION

PILLAR 3

The purpose of Pillar 3 - market discipline, is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) with a set of disclosures completing the usual financial disclosures. It is designed to allow market participants to evaluate key items of information such as scope of application, capital, exposure to different types of risk, risk assessment procedures, and, consequently, capital adequacy with respect to the institution's risk profile.
In accordance with South African Reserve Bank ("SARB") Banks Act 94 of 1990 ("Banks Act") Regulation 43 *Public Disclosure* and Directive 1 of 2019 *Matters related to Pillar 3 disclosure requirement framework,* as well as the BCBS standard which have been applied. BNP Paribas S.A. has defined a prudential scope to monitor capital adequacy ratios calculated on the solo basis of the branch.

BNP PARIBAS S.A., SOUTH AFRICA BRANCH
(Registration number: 2011/100541/10)

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 68 countries and employs over 193,000 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.

STATEMENT OF THE EXECUTIVE COMMITTEE'S RESPONSIBILITY, APPROVAL AND BASIS OF PREPARATION OF PILLAR 3 DISCLOSURES

The Executive Committee is responsible for the maintenance of adequate accounting records and integrity of the annual financial statements and disclosure requirements as per Regulation 43 of the Bank regulations.

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

The Pillar 3 disclosure document has been prepared and presented using the South African Rand in R 'Millions (ZAR'000) as at 31 December 2022

RISK MANAGEMENT

RISK MANAGEMENT APPROACH:

Details about strategies, processes and organization of risk management within BNP Paribas group can be found as part of its Registration Document, at : https://invest.bnpparibas.com/en/registration-documents-annual-financial-reports

Risk management is central to the banking business and is one of the cornerstones of operations for the BNP Paribas Group. BNP Paribas South Africa branch has an internal control system covering all types of risks to which the branch may be exposed, organised around three lines of defence:

- As the first line of defence, internal control is the business of every employee, and the heads of the operational activities are responsible for establishing and running a system for identifying, assessing and managing risks according to the standards defined by the functions exercising an independent control in respect of the second line of defence;

- the main control functions within BNP Paribas ensuring the second line of defence are the Compliance, Risk and Legal Functions. Their Heads report directly to Chief Executive Officer and account for the performance of their missions to the Board of directors via its specialised committees;

- General Inspection provides a third line of defence. It is responsible for the periodic control.

General Responsibilities of the RISK and Compliance Functions:

Responsibility for managing risks primarily lies with the divisions and business lines that are at the origin of the underlying transactions. RISK continuously performs a second-line control over credit and counterparty risks, market risk, interest rate and foreign exchange rate risks on the banking book, liquidity risks, insurance risks, and operational risk, including technological and cybersecurity risks, over data protection risks, modelling risks and environmental and social risk factors, as well as the associated governance risks.

As part of this role, it must ascertain the soundness and sustainability of the business commercial developments and their overall alignment with the risk appetite target set by the Group. RISK's remit includes formulating recommendations on risk policies, analysing the risk portfolio on a forward-looking basis, approving corporate loans and trading limits, guaranteeing the quality and effectiveness of monitoring procedures and defining or validating risk measurement methods. RISK is also responsible for ensuring that all the risk implications of new businesses or products have been adequately assessed.

Compliance has identical responsibilities as regards compliance a d reputation risks. It plays an important oversight and reporting role in the process of validating new products, new business activities and exceptional transactions.

Organisation of the Risk and Compliance Functions:

The RISK department fully complies with the principles of independence, vertical integration, and decentralisation issued by the Group's Management.

The Chief Compliance Officer reports to the Chief Executive Officer and is a member of the BNP Paribas Executive Committee. The Chief Compliance Officer has direct and independent access to the Board of directors. The Chief Compliance Officer has no operational activity outside of compliance and reputation risk and no commercial activity, which guarantees the independence of action.

The below table summarises BNP Paribas South Africa branch RWA and capital requirements under each type of relevant Pillar 1 risk.

		a	b	c	d	e
		Term	Term 1	Term 2	Term 3	Term 4
		Dec-22	Sep-22	Jun-22	Mar-22	Dec-21
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	4,333,113	4,332,188	4,332,055	4,331,381	4,331,789
1a	Fully loaded ECL accounting model CET1	4,333,113	4,332,188	4,332,055	4,331,381	4,331,789
2	Tier 1	4,333,113	4,332,188	4,332,055	4,331,381	4,331,789
2a	Fully loaded ECL accounting model Tier 1	4,333,113	4,332,188	4,332,055	4,331,381	4,331,789
3	Total capital	4,333,113	4,332,188	4,332,055	4,331,381	4,331,789
3a	Fully loaded ECL accounting model total capital	4,333,113	4,332,188	4,332,055	4,331,381	4,331,789
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	18,411,760	19,176,913	19,340,491	20,066,334	17,770,026
4a	Total risk-weighted assets (pre-floor)	18,411,760	19,176,913	19,340,491	20,066,334	17,770,026
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	23.53%	22.59%	22.40%	21.59%	24.38%
5a	Fully loaded ECL accounting model CET1 (%)	23.53%	22.59%	22.40%	21.59%	24.38%
5b	CET1 ratio (%) (pre-floor ratio)	0.00%	0.00%	0.00%	0.00%	0.00%
6	Tier 1 ratio (%)	23.53%	22.59%	22.40%	21.59%	24.38%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	23.53%	22.59%	22.40%	21.59%	24.38%
6b	Tier 1 ratio (%) (pre-floor ratio)	0.00%	0.00%	0.00%	0.00%	0.00%
7	Total capital ratio (%)	23.53%	22.59%	22.40%	21.59%	24.38%
7a	Fully loaded ECL accounting model total capital ratio (%)	23.53%	22.59%	22.40%	21.59%	24.38%
7b	Total capital ratio (%) (pre-floor ratio)	0.00%	0.00%	0.00%	0.00%	0.00%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	23.53%	22.59%	22.40%	21.59%	24.38%
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	25,227,850	30,983,208	30,865,467	32,127,808	25,729,337
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	17.18%	13.98%	14.04%	13.48%	16.84%
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	17.18%	13.98%	14.04%	13.48%	16.84%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	17.18%	13.98%	14.04%	13.48%	16.84%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	17.18%	13.98%	14.04%	13.48%	16.84%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	17.18%	13.98%	14.04%	13.48%	16.84%
	Liquidity Coverage Ratio (LCR)					
15	Total high-quality liquid assets (HQLA)	1,409,104	2,686,392	2,524,767	2,455,765	2,064,929
16	Total net cash outflow	1,198,745	1,473,722	1,491,615	2,133,927	915,622
17	LCR ratio (%)	117.55%	182.29%	169.26%	115.08%	225.52%
	Net Stable Funding Ratio (NSFR)					
18	Total available stable funding	7,779,166	8,810,141	9,236,663	10,510,852	6,704,624
19	Total required stable funding	5,566,101	6,557,697	7,351,739	7,608,412	6,231,847
20	NSFR ratio	139.76%	134.35%	125.64%	138.15%	107.59%

Template KM2: Key metrics – TLAC requirements (at resolution group level)

		a	b	c	d	e
		Term	Term	Term 1	Term 2	Term 3
		Dec-22	Jun-22	Jun-22	Mar-22	Dec-21
Resolution group 1						
1	Total Loss Absorbing Capacity (TLAC) available	-	-	-	-	-
1a	Fully loaded ECL accounting model TLAC available	-	-	-	-	-
2	Total RWA at the level of the resolution group	-	-	-	-	-
3	TLAC as a percentage of RWA (row1/row2) (%)	-	-	-	-	-
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	-	-	-	-	-
4	Leverage exposure measure at the level of the resolution group	-	-	-	-	-
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	-	-	-	-	-
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage ratio exposure measure (%)	-	-	-	-	-
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	-	-	-	-	-
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	-	-	-	-	-
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as external TLAC if no cap was applied (%)	-	-	-	-	-

Template OV1: Overview of RWA

		a	b	c
		RWA		Minimum capital requirements
		Term	Term 1	Term
		Dec-22	Sep-22	Dec-22
1	Credit risk (excluding counterparty credit risk)	11,084,605	11,168,301	1,385,576
2	Of which: standardised approach (SA)	11,084,605	11,168,301	1,385,576
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
4	Of which: supervisory slotting approach	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
6	Counterparty credit risk (CCR)	1,973,320	2,524,592	246,665
7	Of which: standardised approach for counterparty credit risk	1,973,320	2,524,592	246,665
8	Of which: IMM	-	-	-
9	Of which: other CCR	-	-	-
10	Credit valuation adjustment (CVA)	4,210,032	4,380,353	526,254
11	Equity positions under the simple risk weight approach and the internal	-	-	-
12	Equity investments in funds – look-through approach	-	-	-
13	Equity investments in funds – mandate-based approach	-	-	-
14	Equity investments in funds – fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in banking book	-	-	-
17	Of which: securitisation IRB approach	-	-	-
	(SEC-IRBA)	-	-	
18	Of which: securitisation external ratings-based approach	-	-	-
	(SEC-ERBA), including internal assessment approach (IAA)	-	-	
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	43,586	3,168	5,448
21	Of which: standardised approach (SA)	43,586	3,168	5,448
22	Of which: internal model approach (IMA)	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-
24	Operational risk	966,612	966,612	120,827
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	133,604	133,887	16,701
26	Output floor applied	-	-	
27	Floor adjustment (before application of transitional cap)	-	-	
28	Floor adjustment (after application of transitional cap)	-	-	
29	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)**	**18,411,759**	**19,176,913**	**2,301,470**

ACCOUNTING & REGULATORY EXPOSURES:

The differences between the accounting and regulatory exposures are summarized in the table below

Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central banks	635,305	635,305	635,305	-	-	-	-
Items in the course of collection from other banks	23,972	23,972	23,972	-	-	-	-
Trading portfolio assets	-	-	-	-	-	-	-
Financial assets designated at fair value	1,145,842	1,145,842	1,145,842	-	-	-	-
Derivative financial instruments	3,146,427	3,146,428	-	3,146,428	-	-	-
Loans and advances to banks	2,075,855	2,075,855	2,075,855	-	-	-	-
Loans and advances to customers	7,999,238	7,999,238	7,999,238	-	-	-	-
Reverse repurchase agreements and other similar secured lending	-	-	-	-	-	-	-
Available for sale financial investments	-	-	-	-	-	-	-
….	74,330	74,330	74,330	-	-	-	-
Total assets	**15,100,969**	**15,100,970**	**11,954,542**	**3,146,428**	**-**	**-**	**-**
Liabilities							
Deposits from banks	219,673	219,673	-	-	-	-	-
Items in the course of collection due to other banks	598,088	598,088	-	-	-	-	-
Customer accounts	6,473,451	6,473,451					-
Repurchase agreements and other similar secured borrowings	-	-	-	-	-	-	-
Trading portfolio liabilities	-	-	-	-	-	-	-
Financial liabilities designated at fair value	-	-	-	-	-	-	-
Derivative financial instruments	3,130,413	3,130,414	-	-	-	-	-
….	239,713	239,713	-	-	-	-	-
Total liabilities	**10,661,338**	**10,661,339**	**-**	**-**	**-**	**-**	**-**

Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per**	15,100,970	11,954,542	-	3,146,428	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation (Row 1 – Row 2)	-	-	-	-	-
4	Off-balance sheet amounts	6,811,548	6,811,548	-	-	
5	*Differences in valuations*	-	-	-	-	
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	
7	*Differences due to consideration of provisions*	-	-	-	-	
8	*Differences due to prudential filters*	-	-	-	-	
9	⋮	-	-	-	-	
10	**Exposure amounts considered for regulatory purposes**	**21,912,518**	**18,766,090**	**-**	**3,146,428**	

COMPOSTION OF CAPITAL

BNP Paribas South Africa branch regulatory capital is analysed into one tier:

- Tier 1 capital, which includes paid up capital, retained earnings, other reserves and comprehensive income after any regulatory adjustments that are required for capital adequacy purposes.

The table below include details of the branch's regulatory capital:

	Template CC1 – Composition of regulatory capital	a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3,835,000	h
2	Retained earnings	498,111	
3	Accumulated other comprehensive income (and other reserves)	-	
4	*Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies)*	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)	-	
6	**Common Equity Tier 1 capital before regulatory adjustments**	4,333,111	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	a minus d
9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)	-	b minus e
10	Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax	-	
11	Cash flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in [CAP30.14])	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets	-	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation,	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of	-	
20	MSR (amount above 10% threshold)	-	c minus f minus 10% threshold
21	DTA arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	Of which: significant investments in the common stock of financials	-	
24	Of which: MSR	-	
25	Of which: DTA arising from temporary differences	-	
26	National specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover	-	
28	**Total regulatory adjustments to Common Equity Tier 1 capital**	-	
29	**Common Equity Tier 1 capital (CET1)**	4,333,111	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	-	i
31	Of which: classified as equity under applicable accounting standards	-	
32	Of which: classified as liabilities under applicable accounting standards	-	
33	*Directly issued capital instruments subject to phase-out from additional Tier 1 capital*	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties	-	
35	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
36	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation,	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory	-	
41	National specific regulatory adjustments	-	
42	Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory adjustments to additional Tier 1 capital**	-	
44	**Additional Tier 1 capital (AT1)**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	4,333,111	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	*Directly issued capital instruments subject to phase-out from Tier 2 capital*	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
50	Provisions	-	
51	**Tier 2 capital before regulatory adjustments**	-	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-	
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of	-	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory	-	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside	-	
56	National specific regulatory adjustments	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital**	-	
59	**Total regulatory capital (= Tier 1 + Tier2)**	4,333,111	
60	**Total risk-weighted assets**	18,411,760	
	Capital adequacy ratios and buffers		
61	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets)**	23.53%	
62	**Tier 1 capital (as a percentage of risk-weighted assets)**	23.53%	
63	**Total capital (as a percentage of risk-weighted assets)**	23.53%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer**	0	
65	Of which: capital conservation buffer requirement	0	
66	Of which: bank-specific countercyclical buffer requirement	0.00%	
67	Of which: higher loss absorbency requirement	0.00%	
68	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the**	11.03%	

The table below reconciles the regulatory capital to balance sheet:

Template CC2 – Reconciliation of regulatory capital to balance sheet

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end 31 Dec 2022	As at period-end 31 Dec 2022	
Assets			
Cash and balances at central banks	635,305	635,305	
Items in the course of collection from other banks	24,073	24,073	
Trading portfolio assets	-	-	
Financial assets designated at fair value	1,147,455	1,147,455	
Derivative financial instruments	3,146,428	3,146,428	
Loans and advances to banks	2,075,545	2,075,545	
Loans and advances to customers	7,997,834	7,997,834	
Reverse repurchase agreements and other similar secured lending	-	-	
Available for sale financial investments	-	-	
Current and deferred tax assets	39,516	39,516	
Prepayments, accrued income and other assets	28,105	28,105	
Investments in associates and joint ventures	-	-	
Goodwill and intangible assets	-	-	
Of which: goodwill	-	-	a
Of which: other intangibles (excluding MSR)	-	-	b
Of which: MSR	-	-	c
Property, plant and equipment	6,709	6,709	
Total assets	**15,100,970**	**15,100,970**	
Liabilities			
Deposits from banks	219,673	219,673	
Items in the course of collection due to other banks	598,088	598,088	
Customer accounts	6,473,452	6,473,452	
Repurchase agreements and other similar secured borrowing	-	-	
Trading portfolio liabilities	-	-	
Financial liabilities designated at fair value	-	-	
Derivative financial instruments	3,130,414	3,130,414	
Debt securities in issue	-	-	
Accruals, deferred income and other liabilities	209,281	209,281	
Current and deferred tax liabilities	-	-	
Of which: deferred tax liabilities (DTL) related to goodwill	-	-	d
Of which: DTL related to intangible assets (excluding MSR)	-	-	e
Of which: DTL related to MSR	-	-	f
Subordinated liabilities	-	-	
Provisions	30,432	30,432	
Retirement benefit liabilities	-	-	
Total liabilities	**10,661,340**	**10,661,340**	
Shareholders' equity			
Paid-in share capital	3,835,000	3,835,000	
Of which: amount eligible for CET1capital	-	-	h
Of which: amount eligible for AT1capital	-	-	i
Retained earnings	604,630	498,111	
Accumulated other comprehensive income	-	-	
Total shareholders' equity	**4,439,630**	**4,333,111**	

CAPITAL MANAGEMENT

To ensure the Group's sustainability, the Bank must maintain an adequate level of capital with respect to the risks to which it is exposed and its strategy. Capital is a rare and strategic resource, which requires stringent, clearly defined, rigorous management according to an approach, which takes account of the needs and demands of stakeholders, including shareholders, supervisors, creditors and depositors.

<u>Objectives</u>: BNP Paribas' capital management:

- is governed by policies and procedures which make it possible to understand, document and supervise capital management practices throughout the Bank
- takes risk measurement into account to determine the use of the capital;
- considers capital requirements and resources under normal operating conditions, as well as under situations of severe, but plausible stress;
- presents a forward-looking vision of the Bank's capital adequacy to the Executive Management;
- allocates the capital constraint to the business lines in keeping with their strategic objectives;
- complies with the Internal Capital Adequacy Assessment Process (ICAAP) and is consistent with the Risk Appetite Framework;
- is monitored by an appropriate governance.

<u>Capital Management at Central Level:</u> BNP Paribas' capital management aims to ensure and verify that the Group has adequate capital to comply with the regulatory capital ratios, as well as specific requirements. To ensure its capital adequacy, the Group abides by the following principles:

- maintaining the capital at an appropriate level in view of BNP Paribas' activities, risk appetite, growth and strategic initiatives;
- maintaining BNP Paribas' capital at a level which complies with regulatory requirements;
- keeping a balance between capital adequacy and return on capital;
- meeting its obligations vis-à-vis creditors and counterparties, at each due date;
- continuing to operate as a financial intermediary

<u>Capital Management at BNP Paribas South Africa Level</u> : The Group has to allocate available capital among its different entities. To ensure a free and efficient flow of capital throughout the Group, the capital allocation process within the Group is centralised at head office level. It is mainly based on two principles: compliance with local regulatory requirements and analysis of the local business needs of the entity and growth prospects. In line with these two principles, the aim is to minimise capital dispersion.

With respect to the first principle, the local Chief Financial Officers are responsible for the daily management and reporting of their subsidiaries' capital requirements. When a capital need arises, it is analysed on a case-by-case basis by the Group, taking into consideration the subsidiary's present position and future strategy. Furthermore, each year, the Group manages the subsidiaries' earnings repatriation process. The Group general policy stipulates that the entire distributable profit of every entity, including retained earnings, must be paid out. This policy ensures that the capital remains centralised at the BNP Paribas SA level and also contributes to reducing the foreign exchange risk. With respect to the second principle, the needs of each entity are analysed by dedicated teams in light of the Group's strategy in the relevant country, the entity's growth prospects and the macroeconomic environment. In addition, every year the Group examines the branches' capital allocations in order to maintain an adequate level of capital in light of the different regulations.

LEVERAGE RATIO

The leverage ratio's main objective is to serve as a contemporary measure to the risk based capital requirements. It is calculated as the ratio between Tier 1 capital and an exposure measure calculated using on- and off-balance sheet commitments valued using a prudential approach.

The leverage ratio was 17.18% as at 31 December 2022, compared to 16.84% as of 31 December 2021 and the local regulation introduced the leverage ratio at a minimum requirement of 4%.

Template LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

		a
1	Total consolidated assets as per published financial statements	15,100,970
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for	3,146,428
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	8,254,656
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,018,652
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
13	**Leverage ratio exposure measure**	**25,227,850**

Template LR2: Leverage ratio common disclosure template

		a	b
		Term	Term 1
		Dec-22	Sep-22
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),	15,100,970	19,245,155
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	(3,146,428)	(4,674,920)
4	(Adjustment for securities received under securities financing transactions that are recognised as	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted	-	(925)
6	(Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)	-	-
7	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6)	**11,954,542**	**14,569,310**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible	4,997,938	7,361,486
9	Add-on amounts for potential future exposure associated with *all* derivatives transactions	3,256,718	3,875,423
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	**8,254,656**	**11,236,909**
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**-**	**-**
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	5,018,652	5,176,989
20	(Adjustments for conversion to credit equivalent amounts)	-	-
21	(Specific and general provisions associated with off-balance sheet exposures deducted in	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**5,018,652**	**5,176,989**
Capital and total exposures			
23	**Tier 1 capital**	**4,333,113**	**4,332,188**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**25,227,850**	**30,983,208**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of**	17.18%	13.98%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank	0.00%	0.00%
26	**National minimum leverage ratio requirement**	4.00%	4.00%
27	**Applicable leverage buffers**	0.00%	0.00%

LIQUIDITY

Liquidity risk is the risk that the bank will not be able to honour its commitments or unwind or settle a position due to the market environment or idiosyncratic factors within a given timeframe and at a reasonable cost.

Liquidity risk reflects the risk of not being able to fulfil current or future foreseen or unforeseen cash or collateral requirements, across all time horizons, from the short to the long term.

This risk may stem from the reduction in funding sources, draw down of funding commitments, a reduction in the liquidity of certain assets, or an increase in cash or collateral margin calls. It may be related to the bank itself (reputation risk) or to external factors (risks in some markets).

Liquidity Risk management

The Branch's liquidity risk is managed under a global liquidity policy approved by the BNP Paribas Group's ALM Committee. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis. The liquidity position is assessed on the basis of internal indicators and regulatory ratios

Liquidity Coverage Ratio (LCR)

LCR measures the required high quality liquid assets (HQLA) to cover short term (30-day) net cash outflows. A bank with a net cash inflow will still be required to hold HQLA amounting to 25% of its cash outflows. The LCR is calculated and reported on a daily basis. The regulatory limit of LCR is 100%.

Template LIQ1: Liquidity Coverage Ratio (LCR)

		a	b
		Total unweighted (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		1,409,104
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**-**	**-**
3	Stable deposits	-	-
4	Less stable deposits	-	-
5	**Unsecured wholesale funding, of which:**	**7,291,212**	**3,407,141**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	7,291,212	3,407,141
8	Unsecured debt	-	-
9	**Secured wholesale funding**		
10	**Additional requirements, of which:**	**130,426**	**130,426**
11	Outflows related to derivative exposures and other collateral requirements	130,426	130,426
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	-	-
14	**Other contractual funding obligations**	2,207,916	220,792
15	**Other contingent funding obligations**	20,732,416	1,036,621
16	**TOTAL CASH OUTFLOWS**		**4,794,980**
Cash inflows			
17	**Secured lending (eg reverse repos)**		
18	**Inflows from fully performing exposures**	**8,000,483**	**5,543,342**
19	Other cash inflows		
20	**TOTAL CASH INFLOWS**	**8,000,483**	**5,543,342**
			Total adjusted
21	**Total HQLA**		1,409,104
22	**Total net cash outflows**		1,198,745
23	**Liquidity Coverage Ratio (%)**		117.55%

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

Template LIQ2: Net Stable Funding Ratio (NSFR)

		a	b	c	d	e
	(In currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) item						
1	Capital:	-	-	-	**4,333,110**	**4,333,110**
2	*Regulatory capital*	-	-	-	4,333,110	4,333,110
3	*Other capital instruments*	-	-	-		
4	Retail deposits and deposits	-	-	-	-	-
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	-	-	-	-
7	Wholesale funding:	-	**7,291,212**	-	-	**3,446,056**
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	7,291,212	-	-	3,446,056
10	Liabilities with matching					
11	Other liabilities:	-	3,370,128	-	-	-
12	*NSFR derivative liabilities*				*3,130,414*	
13	*All other liabilities and*	-	239,714	-	-	-
14	**Total ASF**	-	**10,661,340**	-	-	**7,779,166**
Required stable funding (RSF) item						
15	Total NSFR high-quality	-	**635,299**			**13,082**
16	Deposits held at other					
17	Performing loans and		**11,417,213**	**463,586**	-	**4,056,089**
18	*Performing loans to*					
19	*Performing loans to*					
20	*Performing loans to non-*					
21	*With a risk weight of*					
22	*Performing residential*					
23	*With a risk weight of*					
24	*Securities that are not in*					
25	Assets with matching					
26	Other assets:				36,872	**36,872**
27	*Physical traded*					
28	*Assets posted as initial*					
29	*NSFR derivative assets*				**3,146,428**	-
30	*NSFR derivative liabilities*					
31	*All other assets not*					
32	Off-balance sheet items				**23,253,373**	**1,460,058**
33	**Total RSF**					**5,566,101**
34	**Net Stable Funding**					**139.76%**

CREDIT RISK

Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Evaluating accurately the probability of default and the expected recovery on the loan or receivable in the event of default are key components of credit quality assessment.

Credit Risk Management

BNP Paribas South Africa branch's lending activities are governed by the Global Credit Policy. It applies to all Group activities that generate credit or counterparty risk. The Global Credit Policy provides general principles (including the risk assessment and decision-making process, adherence to the highest standards of compliance and ethics) applicable to all credit risk, as well as specific principles applicable to country risk, economic sector risks, clients selection and the transaction structures. It is supplemented by specific policies tailored to each type of business or counterparty. These policies are regularly updated in line with developments in the credit environment in which the Group operates.

BNP Paribas South Africa branch takes on exposure to credit risk, which is the risk that a counter party 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 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.

Monitoring exposures

A comprehensive risk monitoring system is organised around control units, which are responsible for ensuring that lending commitments comply with the loan approval decision, that credit risk reporting data are reliable and that risks are effectively monitored. Daily exception reports are produced and various early warning tools are used to identify early the deterioration of credit risks. The various monitoring levels are carried out under the supervision of RISK. Non-performing loans or those placed under credit watch (see Exposures, provisions and cost of risk) are overseen more closely via dedicated quarterly committee meetings (see the Governance part of section 5.3 Risk management). To supplement this mechanism, the General Management Doubtful Committee meets on a monthly basis to determine individual provisions for doubtful loans based on expected financial flows

The responsibilities of the control teams include the monitoring of exposures against approved authorisations, covenants, and guarantees. This allows the identification of any signs of deterioration against the risk profile approved by the Credit Committee. Control teams flag up (to the RISK teams and business units) any cases that fail to comply with Credit Committee decisions and oversee their resolution. In some cases, a specific alert is sent to the senior management of RISK and of the relevant business unit. These are mainly where exceptions remain unresolved and/ or where there are serious indications of deterioration in the risk profile compared with that approved by the Credit Committee.

Overall portfolio management and monitoring

The selection and careful evaluation of individual risks taken are supported by a reporting system based on more aggregated portfolio levels in terms of division/business line, regions, industry, business/ product. The overall portfolio management policy, including concentration of risk by single name, industry and country, is based on this reporting system and Group Risk Committees review all reports and analyses produced

Impairment and provisioning policies

Procedures described below are applied to all loans subject to impairment:

- Impairment valuation procedure for performing loans:

A loss allowance for loans in stage 1 or stage 2 is constituted based on an estimation of expected credit losses. This is determined on a quarterly basis during a committee meeting attended by the Chief Financial Officer and Chief Risk Officer. Estimations of expected credit losses result from the default risk in the coming twelve months for financial instruments whose credit risk has not significantly increased since initial recognition (stage 1) or upon maturity for unimpaired loans whose credit risk has significantly increased since initial recognition (stage 2).

- Impairment valuation procedure for defaulted exposures:

RISK reviews corporate, bank and sovereign loans in default at monthly intervals to determine the amount of any decrease in value to be recognised, either by reducing the carrying amount or by recording a provision for impairment, in accordance with applicable accounting standards. The Group uses various methodologies (expert opinions, statistical calculations) for defaulted exposures. These impairments are referred to as stage 3. The amount of this impairment loss is based on the present value of probable recovered net cash flows, including from the possible realisation of the collateral held. Estimated expected cash flows also includes a cash flow scenario from the possible sale of non-performing loans or all loans. Proceeds from the sale is net of costs associated to the sale

Rating System

Each counterparty is rated internally using uniform principles, regardless of the approach used to calculate regulatory capital requirements. The Bank has a comprehensive internal rating system compliant with regulatory requirements regarding capital adequacy. A periodic assessment and control process has been deployed to ensure that the system is appropriate and correctly implemented.

There are twelve counterparty ratings. Ten cover performing clients with credit assessments ranging from “excellent” to “very concerning”, and two relate to clients classified as in default

BNP Paribas has developed an indicative equivalence between the Bank’s internal ratings and the long-term issuer ratings assigned by the major rating agencies.

	Internal rating BNP Paribas	LT Issuer/ Unsecured issuer's ratings S&P/Fitch	Average expected PD
Investment Grade	1+	AAA	0.01%
	1	AA+	0.01%
	1-	AA	0.01%
	2+	AA-	0.02%
	2	A+/A	0.03%
	2-	A-	0.04%
	3+/3/3-	BBB+	0.06% to 0.10%
	4+/4/4-	BBB	0.13% to 0.21%
	5+/5/5-	BBB-	0.26% to 0.48%
Non-Investment Grade	6+	BB+	0.69%
	6/6-	BB	1.00% to 1.46%
	7+/7	BB-	2.11% to 3.07%
	7-	B+	4.01%
	8+/8/8-	B	5.23% to 8.06%
	9+/9/9-	B-	9.53% to 13.32%
	10+	CCC	15.75%
	10	CC	18.62%
	10-	C	21.81%
Default	11	D	100.00%
	12	D	100.00%

Template CR1: Credit quality of assets

		a	b	c	d	e	f	g
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans	-	11,381,012	35,845	-	-	-	11,345,167
2	Debt Securities	-	1,147,455	1,613	-	-	-	1,145,842
3	Off-balance sheet exposures	-	6,811,548	-	-	-	-	6,811,548
4	***Total***	***-***	***19,340,015***	***37,458***	***-***	***-***	***-***	***19,302,557***

CREDIT RISK MITIGATION TECHNIQUES:

Credit risk mitigation techniques are divided into two main categories

- funded credit protection (collateral) pledged to the branch is used to secure timely performance of a borrower's financial obligations;
- unfunded credit protection (guarantee) is the commitment by a third party to replace the primary obligor in the event of default.

Template CR4: Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	1,145,843	-	1,145,843	-	-	0.00%
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	2,701,798	2,192,356	2,701,798	1,113,394	132,554	3.47%
	Of which: securities firms and other financial institutions	22	-	22	-	22	100.00%
5	Covered bonds	-	-	-	-	-	-
6	Corporates	8,643,349	4,617,360	8,643,349	2,308,680	10,952,029	100.00%
	Of which: securities firms and other financial institutions	-	-	-	-	-	0.00%
	Of which: specialised lending	-	-	-	-	-	-
7	Subordinated debt, equity and other capital	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-
9	Real estate	-	-	-	-	-	-
	Of which: general RRE	-	-	-	-	-	-
	Of which: IPRRE	-	-	-	-	-	-
	Of which: general CRE	-	-	-	-	-	-
	Of which: IPCRE	-	-	-	-	-	-
	Of which: land acquisition, development and construction	-	-	-	-	-	-
10	Defaulted exposures	-	-	-	-	-	-
11	Other assets	670,119	-	670,119	-	34,814	5.20%
12	**Total**	**13,161,131**	**6,809,716**	**13,161,131**	**3,422,074**	**11,119,420**	**67.05%**

Template CR5: Standardised approach – exposures by asset classes and risk weights

		0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
1	Sovereigns and their central banks	1,145,843	-	-	-	-	-	**1,145,843**
4	Banks	4,456,870	330,734	80,284	26,265	-	-	**3,815,193**
6	Corporates	-	-	-	13,260,709	-	-	**10,952,029**
11	Other assets	635,305	-	-	34,814	-	-	**670,119**
	Total	**6,238,018**	**330,734**	**80,284**	**13,321,788**	**-**	**-**	**16,583,183**

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures					
		a	b	c	d
	Risk weight	*On-balance sheet exposure*	*Off-balance sheet exposure (pre-CCF)*	*Weighted average CCF**	*Exposure (post-CCF and post-*
1	*Less than 40%*	3,775,524	2,157,923	50.00%	4,854,485
2	*40–70%*	71,276	9,008	100.00%	80,284
3	*75%*	-	-	-	-
4	*85%*	-	-	-	-
5	*90–100%*	8,644,212	4,642,784	50.20%	10,978,317
6	*105–130%*	-	-	-	-
7	*150%*	-	-	-	-
8	*250%*	-	-	-	-
9	*400%*	-	-	-	-
10	*1250%*	-	-	-	-
11	***Total exposures***	**12,491,012**	**6,809,716**	**-**	**15,913,086**

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the translation of the credit risk embedded in financial transactions, and/or settlement transactions between counterparties. Those transactions include bilateral contracts such as over-the-counter (OTC) derivative contracts as well as contracts settled through clearing houses. The amount of this risk may vary over time in line with changing market parameters which then impacts the replacement value of the relevant transactions.

Counterparty risk lies in the event that a counterparty defaults on its obligations to pay the branch the full present value of the flows relating to a transaction or a portfolio for which the branch is a net receiver. Counterparty credit risk is also linked to the replacement cost of a derivative or portfolio in the event of counterparty default.

MITIGATION OF COUNTERPARTY CREDIT RISK

As part of its risk management, the BNP Paribas Group implemented three counterparty risk mitigation mechanisms:

- the signature of netting agreements for OTC transactions;
- clearing through central counterparties, in the case of OTC or listed derivative transactions;
- Bilateral initial margin exchange.

Template CCR1: Analysis of CCR exposures by approach

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	3,569,956	1,696,867		1.4	7,373,552	1,973,320
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	Value-at-risk (VaR) for SFTs					-	-
6	**Total**						**1,973,320**

Template CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

Risk weight*→ / Regulatory portfolio*↓	a	b	c	d	e	f	g	h	i
	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-	-
Non-central government public sector entities	-	-	-	-	-	19,157	-	-	19,157
Multilateral development banks	-	-	-	-	-	-	-	-	-
Banks	5,390,656	-	11,972	-	-	-	-	-	5,402,628
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	1,951,769	-	-	1,951,769
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**5,390,656**	**-**	**11,972**	**-**	**-**	**1,970,926**	**-**	**-**	**7,373,554**

CREDIT VALUATION ADJUSTMENTS (CVA)

CVA is an adjustment of the portfolio valuation to take into account each counterparty's credit risk. It is the fair value on any expected loss arising from counterparty exposure based on the potential positive value of the contract, the counterparty default probability and the estimated recovery rate in case of default.

The majority of counterparty credit risk exposures on derivatives is related to interest rate and foreign exchange activities

Template CCR2: Credit Evaluation Adjustment (CVA) Capital Charge

		a	b
	Total portfolios subject to the Advanced CVA capital charge	**EAD post-CRM**	**RWA**
1	(i) VaR component (inlcuding the 3xmultiplier)		
2	(ii) Stressed Var component (inlcuding the 3xmultiplier)		
3	All portfolios subject to the Standardised CVA capital charge	7,373,552	4,210,032
4	Total subject to the CVA capital charge	7,373,552	4,210,032

MARKET RISK

Market risk is the risk of incurring a loss of value due to adverse trends in market prices or parameters, whether directly observable or not.

Observable market parameters include, but are not limited to, exchange rates, prices of securities, prices of derivatives, and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market

Market Risk management

The market risk related to banking activities for BNP Paribas South Africa branch encompasses foreign exchange risks stemming from banking intermediation activities.

Foreign exchange risks related to banking activities and are managed by the cross-functional ALM Treasury Department. At Group level, the ALM Treasury Department is directly overseen by the Group Senior Executive Advisor. BNP Paribas SA's ALM Treasury Department exercises functional authority over the ALM Treasury teams of each entity including BNP Paribas South Africa branch. Strategic decisions are made by the Asset and Liability Committee (ALCO), which oversees ALM Treasury's activities.

The foreign exchange risk gives rise to a weighted assets calculation under Pillar 1.

Calculation of risk-weighted assets

Foreign exchange risk relates to all transactions part of the banking book.

BNP Paribas South Africa branch calculate the net position in each major currency as required by the local regulations. The net position is equal to the sum of all asset items less all liability items plus off-balance sheet items.

These positions are converted into US dollars at the exchange rate prevailing on the reporting date and aggregated to give the bank's overall net open position in each currency and reported to the regulator.

The net position in a given currency is long when assets exceed liabilities and short when liabilities exceed assets. The net currency position is balanced in the relevant currency (i.e. ZAR) such that the sum of long positions equals the sum of short positions.

in ZAR 000	2022	2021
Total Exposures	**43,586**	**30,093**
- Foreign Exchange	43,586	30,093

INTEREST RATE RISK IN BANKING BOOK:

Interest rate risk in the banking book, or global interest rate risk, is the risk of variability in results as a result of mismatches in interest rates, maturities and nature between assets and liabilities in the banking book. This risk arises in non-trading portfolios.

The responsibility for management of interest rate risk in the banking book is assigned to the Chief Executive Officer of the branch. The Chief Executive Officer delegates management responsibility to the ALCO (Asset and Liability Committee) of the branch.

This committee is responsible for tracking interest rate risk monitoring indicators, proposing the interest rate risk profile and assigning limits.

ALM Treasury is responsible for the analysis of the management proposals and operational implementation of decisions related to managing the interest rate risk of the banking book as part of its delegated management.

Measurement of interest rate risk in banking book:

Interest rate risks are analysed in terms of interest rate gaps that measure for each future period the potential rate characteristic mismatches between assets and liabilities. The maturity split is determined on the basis of the contractual terms of the transactions.

The branch only has a Corporate and Investment Banking (CIB) portfolio, as a result does not report any behavioural transactions for liquidity purposes only contractual. BNP Paribas does not have behavioural transactions on the CIB portfolios, only on their Retail portfolios.
In the interest rate gaps, the results are linked to the contractual maturity of assets and liabilities to determine the future expected cash flows.

INTEREST RATE SENSITIVITY

To determine the expected cumulative impact on or sensitivity of the bank's net interest income (NII), the bank uses a two hundred basis points or any such other percentage or basis points change in interest rates as may be specified by the regulator.

ECONOMIC VALUE OF EQUITY (EVE)

When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value.

To calculate these we use reference rates for Overnight, 1 Month, 3 Month, 6 Month and 12 month in order to determine the discount factors for 365 days. These discount factors are then used to calculate the present values of asset and liabilities for fixed and variable products as per the return.

Template IRRBB1 – Quantitative information on IRRBB

In reporting currency	ΔEVE		ΔNII	
Period	**2022**	**T–1**	**2022**	**T–1**
Parallel up	6,526	(4,590)	12,320	5,024
Parallel down	(6,672)	4,802	(12,320)	(3,480)
Steepener				
Flattener				
Short rate up				
Short rate down				
Maximum				
Period	**T**		**T–1**	
Tier 1 capital	**4,333,113**			

OPERATIONAL RISK

Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Management of operational risk is based on an analysis of the "cause – event – effect" chain.

Internal processes giving rise to operational risk may involve employees and/or IT systems. External events include, but are not limited to floods, fi re, earthquakes and terrorist attacks. Credit or market events such as default or fluctuations in value do not fall within the scope of operational risk.

Operational risk encompasses fraud, human resources risks, legal risks, non-compliance risks, tax risks, information system risks, conduct risks (risks related to the provision of inappropriate financial services), risk related to failures in operating processes, including loan procedures or model risks, as well as any potential financial implications resulting from the management of reputation risks.

Operational Risk management

The general internal control system at BNP Paribas underpins management of operational, compliance and reputation risks as part of its dual-level system to ensure periodic and permanent control.

The operational risk management and control system for the Group as a whole is structured around a two-level system with the following participants:

- First level of defence: operational staff, notably the Heads of operational entities, business lines and functions, who are on the frontline of risk management and implementation of systems to manage these risks;

- Second line of defence: the functions exercising second level control that are responsible for the organisation and proper functioning of the risk management system and its compliance with laws and regulations for their area of expertise as defined in their Responsibility Charter. These teams are, in particular, responsible for:

  - coordinating, throughout the areas within their remit, the definition and implementation of the permanent control and operational risk identification and management system, its standards and methodologies, reporting and related tools,

  - acting as a second pair of eyes, independently of the Heads of operational entities, to scrutinise operational risk factors and the functioning of the operational risk and permanent control system, and issuing warnings, where appropriate

Operational Risk RWA at 31 Dec 2022

Risk weighted assets for operational risk are reflected below:

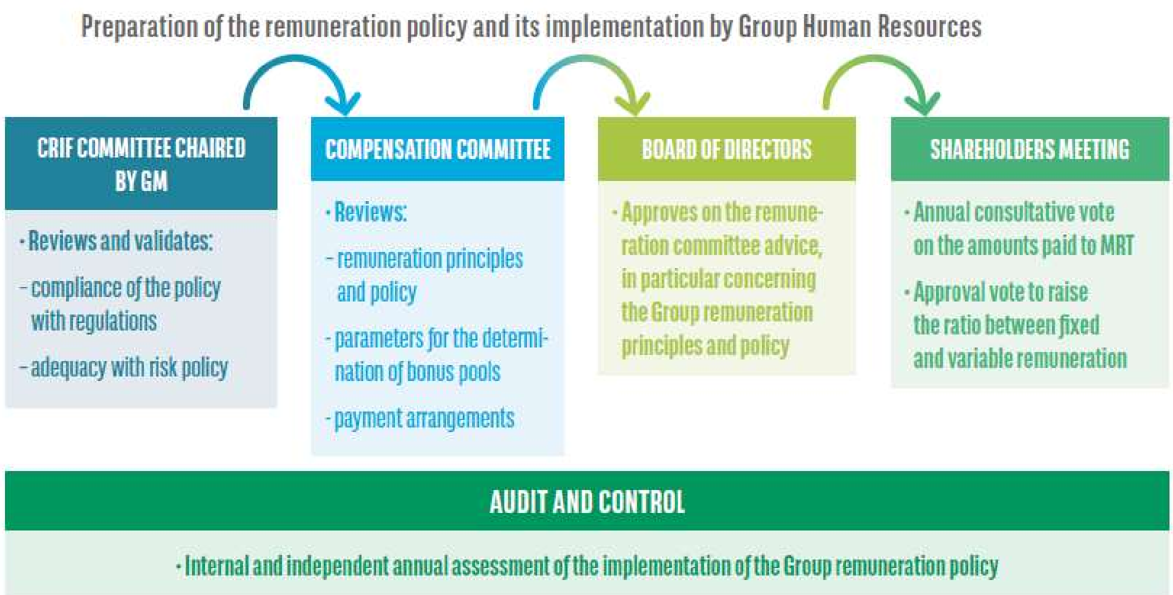
in ZAR 000	2022	2021
Total Risk weighted exposure	**966,612**	**932,130**
- Minimum required capital and reserve funds	120,827	116,516

REMUNERATION

BNP Paribas South Africa Branch follows the BNP Paribas Group compensation guidelines and compensation policy.

The BNP Paribas Group Compensation document can be found under: https://invest.bnpparibas.com/en/compensation-regulated-employees

The BNP Paribas Group compensation principles and compensation policy are designed and proposed by Group Human Resources in cooperation with the relevant business lines. They are presented for validation to the Group Compliance, Risk and Finance Committee (CRIF), chaired by the General Management, and then presented to the Compensation Committee before approval by the Board of Directors. Since 2014, the General Shareholders Meeting is annually consulted on some subjects.



Compensation for Branch employees whose professional activities have a significant impact on the Branch's risk profile:

in ZAR 000	2022	2021
Key management compensation	**12,333**	**14,412**