DISCLOSURE PILLAR 3

SOUTH AFRICA

BNP PARIBAS

The bank
for a changing
world

CONTENTS

OVERVIEW

The following information is compiled in terms of the requirements of the Banks Act 1990 (as amended) and Regulation 43 (1) (e) (ii) and 43(2) of the Banking Regulations, whereby banks (including foreign branches) are obliged to report certain qualitative and quantitative information with regards to their risk profile and capital adequacy on a regular basis to the public, which incorporates the Basel III Pillar 3 requirements on market discipline.

Reporting framework

The information disclosed in this report is based on the definitions, calculation methodologies and measurements as defined by the Amended Regulations. All tables, diagrams, quantitative information and commentary in this risk and capital management report are unaudited unless otherwise noted.

Period of reporting

This report is in respect of the year ended 31 December 2015, including comparative information (where applicable) for the year ended 31 December 2014.

Group disclosures

The group employs a predominantly centralised approach to risk management throughout the group. As such, BNP Paribas SA, South Africa Branch's (BNPP- RSA) approach to risk management follows group policies and procedures as a minimum standard. Where local requirements differ from group's, a local policy/procedure is formulated and adopted. This report should thus be read in conjunction with the group Registration document and annual financial report 2015. Where appropriate this document provides links to the BNP Paribas SA Group Registration document and annual financial report for the year ended 31 December 2015:

Group Risk report

https://invest.bnpparibas.com/en/registration-documents-annual-financial-reports

Group Compensation report

https://invest.bnpparibas.com/remuneration-des-collaborateurs-regules

BNP PARIBAS GROUP

BNP Paribas, Europe’s leading provider of banking and financial services, has four domestic retail banking markets in Europe, namely in Belgium, France, Italy and Luxembourg.

It operates in 75 countries and has more than 189,000 employees, including close to 147,000 in Europe. BNP Paribas holds key positions in its two main businesses:

- Retail Banking and Services, which includes:
    - Domestic Markets, comprising:
    - French Retail Banking (FRB),
    - BNL banca commerciale (BNL bc), Italian retail banking,
    - Belgian Retail Banking (BRB),
    - Other Domestic Markets activities including Luxembourg Retail Banking (LRB);
    - International Financial Services, comprising:
        - Europe-Mediterranean,
        - BancWest,
        - Personal Finance,
        - Insurance,
        - Wealth and Asset Management;
- Corporate and Institutional Banking (CIB):
    - Corporate Banking,
    - Global Markets,
    - Securities Services.

BNP Paribas SA is the parent company of the BNP Paribas Group.

In South Africa

BNP Paribas Group has been represented in South Africa since 2005 and expanded its presence in 2011 through the joint venture between BNP Paribas (60%) and Cadiz (40%), establishing BNP Paribas Securities South Africa in Cape Town. BNP Paribas CIB then went on to establish a branch in Johannesburg in 2012 – BNP Paribas South Africa Branch. In 2014 BNP Paribas further expanded its presence in South Africa with the acquisition of RCS by BNP Paribas Personal Finance.

BNP Paribas South Africa Branch

The Branch offers Corporate & Institutional Banking and Investment Solutions services and act as a regional hub for BNP Paribas operations in the Southern African Development Community (SADC).

We received authorisation by the South African Reserve Bank (SARB) to establish a Full Commercial and Investment Banking Branch in 2012. During 2013, we also received additional authorisations including a Financial Service Provider (FSP) License issued by the Financial Services Board (FSB) in terms of the (Financial Advisory and Intermediary Services (FAIS) Act), and Authorised Dealer in Foreign Exchange. The branch was also approved as a Johannesburg Stock Exchange (JSE) clearing member across all derivative markets and received approval to establish a Debt Medium-term Notes Programme (DMTN).

We were also approved in July 2014, as a clearing member of South African Multiple Option Settlement (SAMOS), which is an automated interbank settlement system provided by the South African Reserve Bank.

FINANCIAL PERFORMANCE

In terms of the requirements of the Banks Act and Regulations relating to banks, the financial results presented below have been prepared in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

The Branches full annual financial statements are published on its website and can be found at:

http://southafrica.bnpparibas.com

Statement of Financial Position / Balance Sheet

Below is an extract of from the Branches annual financial statements for the year ended 31 December 2015:

In thousands of zar	31 December 2015	31 December 2014
ASSETS		
Non-current assets		
Derivative financial instruments	4,368,890	934,222
Loans and advances	2,302,350	462,689
Equipment and vehicles	6,232	6,673
Intangible assets	570	878
Current assets		
Loans and advances	5,699,174	1,165,849
Derivative financial instruments	1,297,583	112,002
Investment securities	745,901	72,348
Cash and cash equivalents	57,550	41,743
Other assets	20,666	20,873
TOTAL ASSETS	**14,498,916**	**2,817,277**
LIABILITIES		
Non-current liabilities		
Derivative financial instruments	4,368,890	951,415
Deposits	202,221	462,959
Current liabilities		
Deposits	7,771,664	603,629
Derivative financial instruments	1,396,797	112,002
Provisions	9,322	10,555
Other liabilities	113,457	32,898
TOTAL LIABLITIES	**13,862,351**	**2,173,458**
EQUITY		
Endow ment capital	726,991	726,991
Accumulated loss	(90,426)	(83,172)
TOTAL EQUITY	**636,565**	**643,819**
TOTAL EQUITY AND LIABILITIES	**14,498,916**	**2,817,277**

Statement of Comprehensive Income / Income Statement

Below is an extract of from the Branches annual financial statements for the year ended 31 December 2015:

In thousands of zar	31 December 2015	31 December 2014
Net interest (expense) / income	(66,026)	8,309
Net fee and commission income	40,726	28,522
Net profit on financial instruments classified as held for trading	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	(23,555)	(21,818)
Operating Expenses	**(113,758)**	**(97,116)**
LOSS BEFORE TAXATION	**(6,482)**	**(38,874)**
Taxation	-	-
LOSS AFTER TAXATION	**(6,482)**	**(38,874)**

CAPITAL COMPOSITION

The South African Reserve Bank (SARB) sets and monitors capital requirements for the Branch as a whole.

The Branch has complied with all externally imposed capital requirements throughout the period.

The Branch's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes paid up capital, retained earnings, other reserves and comprehensive income after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying tier 2 capital instruments issued, collective impairment allowances and other regulatory adjustments.

The minimum capital requirements are defined by three ratios:

- Common Equity Tier 1 capital as a percentage of risk-weighted assets;
- Tier 1 capital as a percentage of risk-weighted assets; and
- Total qualifying capital as a percentage of risk-weighted assets.

Minimum capital requirements per Basel III

	31 December 2015	31 December 2014
National Common Equity Tier 1 minimum ratio	6.5%	5.5%
National Tier 1 minimum ratio	8.0%	7.0%
National total capital minimum ratio	10.0%	10.0%

Pillar I risk-weighted assets and capital requirements

In thousands of zar	31 December 2015 RWAs	31 December 2015 Capital requirements	31 December 2014 RWAs	31 December 2014 Capital requirements
CREDIT RISK	**3,926,665**	**392,666**	**674,004**	**67,400**
Standardised approach				
Corporates	2,322,790	232,279	276,043	27,604
Financial Institutions	1,603,874	160,387	397,961	39,796
COUNTERPARTY CREDIT RISK	**1,167,630**	**116,763**	**976,874**	**97,687**
Counterparty credit risk				
Current exposure method	1,167,630	116,763	976,874	97,687
MARKET RISK	**1,525**	**153**	**3,950**	**395**
Standardised approach	1,525	153	3,950	395
OPERATIONAL RISK	**121,158**	**12,116**	**83,033**	**8,303**
Basic indicator approach	121,158	12,116	83,033	8,303
OTHER ASSETS	**26,870**	**2,687**	**27,546**	**2,755**
100% risk w eighted	26,870	2,687	27,546	2,755
TOTAL RISK WEIGHTED ASSETS / MINIMUM REQUIRED CAPITAL	**5,243,848**	**524,385**	**1,765,407**	**176,541**
Total required capital		524,385		176,541
Total qualifying capital and reserves		635,998		642,941
SURPLUS CAPITAL		**111,613**		**466,400**

CAPITAL STRUCTURE

Qualifying regulatory capital and reserves

The branch is applying the Basel III regulatory adjustments in full as implemented by the South African Reserve Bank (SARB).

In thousands of zar	31 December 2015	31 December 2014	
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Capital instruments and the related share premium accounts	726,991	726,991	
Retained earnings	(90,423)	(83,172)	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-	
Funds for general banking risk	-	-	
Amounts of qualifying items and the related share premium accounts subject to phase out from CET1	-	-	
Public sector capital injections grandfathered until 1 January 2018	-	-	
Minority interests (amount allowed in consolidated CET1)	-	-	
Independently reviewed interim profits net of any foreseeable charge or dividend	-	-	
COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	636,568	643,819	
Common Equity Tier 1 (CET1) capital: regulatory adjustments	**(570)**	**(878)**	See Appendix A
COMMON EQUITY TIER 1 (CET1) CAPITAL	635,998	642,941	
Additional Tier 1 (AT1) capital: instruments	**-**	**-**	See Appendix A
Additional Tier 1 (AT1) capital: regulatory adjustments	**-**	**-**	See Appendix A
ADDITIONAL TIER 1 (AT1) CAPITAL	-	-	
TIER 1 CAPITAL (T1 = CET1 + AT1)	635,998	642,941	
Tier 2 (T2) capital: instruments and provisions	**-**	**-**	See Appendix A
Tier 2 (T2) capital: regulatory adjustments	**-**	**-**	See Appendix A
Tier 2 (T2) CAPITAL	-	-	
TOTAL CAPITAL (TC = T1 + T2)	635,998	642,941	

Capital management

The capital allocation process within BNP Paribas is centralized at head office. It is conducted with the objective of ensuring efficient utilisation of capital within the group, and with a view to ensure a free and efficient flow of capital throughout the BNP Paribas group and its legal entities.

Such approach is essentially driven by two principles:

- Compliance with local regulatory requirements
- Analysis of the local business needs and prospects of growth;

With respect to the first principle, the Head of Regulatory Accounting in the Branch is responsible for the daily management and reporting of the entity's prudential requirements. When a capital need arises, it is analysed on a case by case basis taking into consideration the entity's present situation and its future strategy. Local CEO is responsible for ensuring the company's financial sustainability and competitive position in terms of capital.

With respect to the second principle, the business needs are challenged by dedicated teams in the light of the Group strategy in the country, the business growth prospects and the macroeconomic environment.

Leverage Ratio

Basel 3 introduced the leverage ratio, whose main objective is to serve as a complementary measure to the risk-based capital requirements (back-stop principle). The ratio has been calculated by the Branch since 1 January 2013 and will become a mandatory measure on 1 January 2018.

The leverage ratio is calculated by dividing Tier 1 capital by exposure calculated using the balance sheet liabilities and off-balance sheet commitments assessed according to a prudential approach. Derivatives and repurchase agreements are also adjusted.

Leverage ratio at 31 December is reflected below:

In thousands of zar	31 December 2015	31 December 2014
Tier 1 capital	**635,998**	**642,941**
On-balance sheet items - Other assets	8,832,443	1,770,175
Adjustments for derivative financial instruments	7,318,789	2,212,003
Adjustment for off-balance sheet items	1,356,289	686,715
Other adjustments	(570)	(878)
Total leverage ratio exposure	**17,506,951**	**4,668,015**
TOTAL EQUITY	**4%**	**14%**

RISK MANAGEMENT

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

Strategies and processes for risk management

Risk management is central to the business of banking. At BNP Paribas, operating methods and procedures throughout the organisation are geared towards effectively addressing this matter. The entire process is supervised by a dedicated function, Risk, which is responsible for measuring and controlling risks at Group level. Risk is independent from the operating divisions, business lines and territories and reports directly to Group Executive Management. The Group Compliance (GC) function monitors all compliance risks, according to the same principle of independence and also reports directly to Group Executive Management. In 2014, the Group took steps to strengthen its control functions. These initiatives include the vertical integration of Compliance to ensure its independence and resource autonomy. As a result of these initiatives, the Risk and Compliance Functions (as well as General Inspection and Group Legal) have comparable organisational structures. All teams working in these areas report directly to these functions, independently from individual business lines and geographical locations. The operational risk monitoring and management function was transferred from Group Compliance (GC) to Risk in 2015. Risk and GC perform continuous, generally ex-ante controls that are fundamentally different from the periodic, ex-post controls performed by Internal Audit.

Responsibility for managing risks primarily lies with the divisions and business lines that propose the underlying transactions. Risk continuously performs a second-line control over the Group's credit, market, liquidity and insurance risks. As part of this role, it must ascertain the soundness and sustainability of the business developments and their overall alignment with the risk profile target set by Executive Management. 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. As of 2015, Risk is also responsible for these functions for operational risk.

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

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.

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.

Description of the grade	BNP Rating	External rating: Standard & Poor's equivalent
Investment Grade	1+	AAA
	1	AA+
	1-	AA
	2+	AA-
	2	A+/A
	2-	A-
	3+/3/3-	BBB+
	4+/4/4-	BBB
	5+/5/5-	BBB-
Non Investment Grade	6+	BB+
	6/6-	BB
	7+/7	BB-
	-7	B+
	8+/8/8-	B
	9+/9/9-	B-
	10+	CCC
	10	CC
	-10	C
Default	11	D
	12	D

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 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.

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.

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.

Impairment and provisioning policies

The internal and external rating systems described above 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 management and banking regulation purposes.

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.

Basel approach to measure credit risk

Credit risk

The branch currently applies the standardised approach for its credit portfolios.

Counterparty credit risk

The branch currently applies the current exposure method for its portfolios subject to counterparty credit risk.

Credit risk exposure

Gross on and off-balance sheet exposures by asset class at 31 December are reflected below:

Exposure *In thousands of zar*	31 December 2015 Standardised Approach	31 December 2014 Standardised Approach
Central governments, public sector companies and central banks	1,313,155	646,560
Corporates	3,183,535	615,931
Institutions	11,396,109	2,701,404
TOTAL	**15,892,799**	**3,963,895**

Gross on and off-balance sheet exposures by geographical location at 31 December are reflected below:

Exposure *In thousands of zar*	31 December 2015 Standardised Approach	31 December 2014 Standardised Approach
South Africa	9,511,007	2,442,308
Europe	6,367,163	1,476,932
Asia	2,811	70,104
North America	11,818	5,061
TOTAL	**15,892,799**	**3,994,405**

Gross on and off-balance sheet exposures by industry at 31 December are reflected below:

	31 december 2015		31 december 2014	
In thousands of zar	Exposure	%	Exposure	%
Agriculture, hunting, forestry and fishing	-	0%	-	0%
Mining and quarrying	190,580	1%	149,857	4%
Manufacturing	1,849,159	12%	390,036	10%
Electricity, gas and w ater supply	639,739	4%	324,113	8%
Construction	128,879	1%	-	0%
Wholesale and retail trade	11,782	0%	-	0%
Transport, storage and communication	946,173	6%	244,205	6%
Financial intermediation and insurance	12,126,487	76%	2,886,194	72%
Real estate	-	0%	-	0%
Business services	-	0%	-	0%
Community, social and personal services	-	0%	-	0%
Private households	-	0%	-	0%
Other	-	0%	-	0%
TOTAL	**15,892,799**	**100%**	**3,994,405**	**100%**

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 and commodities (whether listed or obtained by reference to a similar asset), 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 assumed by the Branch is managed by the centralised Market Risk department collaboration with the Branches risk management functions.

The Branch passes on the majority of its market risk to BNP Paribas Group by entering into risk transfer trades which mirror the external market risk assumed.

Basel approach to measure market risk

The branch currently applies the standardised approach for all portfolios that would attract market risk.

Market risk exposure

Risk weighted assets for market risk at 31 December are reflected below:

	31 December 2015	31 December 2014
Risk weighted assets *In thousands of zar*	**Standardised Approach**	**Standardised Approach**
Foreign exchange net open position	1,525	3,950

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.

Basel approach to measure operational risk

The branch currently applies the basic indicator approach for operational risk.

Operational risk exposure

Risk weighted assets for operational risk at 31 December are reflected below:

Risk weighted assets *In thousands of zar*	31 December 2015 Basic Indicator Approach	31 December 2014 Basic Indicator Approach
Foreign exchange net open position	121,158	83,033

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.

Interest rate risk in the banking book is a result of the change in interest rates and mismatch in repricing of non-trading products that includes the taking of deposits and extending of loans as well as the impact on the investment securities and other non-trading treasury products.

The Branch Treasurer manages the interest rate risk and reports to the Head of ALM for Middle East Africa. Asset and liability committee (ALCO) receives a detailed analysis of the repricing gap and monitors the interest rate risk limit. In addition to the global limits the branch's' interest rate risk is measured and monitored on a daily basis by Capital Markets Middle Office.

The impact of a 2% parallel interest rate shock on net interest income as at 31 December was:

In thousands of zar	31 December 2015	31 December 2014
Interest rate increase	72,201	5,384
Interest rate decrease	(72,201)	(5,384)

LIQUIDITY RISK

Liquidity risk is the risk of the Branch being unable 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).

The Branch's liquidity risk is managed under a global liquidity policy approved by the Group's ALM Committee. This policy is based on management principles designed to apply both in normal conditions and in a liquidity crisis.

The Branch's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Branch's reputation.

The Branch has to further comply with the liquidity requirements set by the South African Reserve Bank which monitors compliance with local regulatory limits on a regular basis.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Liquidity coverage ratio (LCR)

Illustrated below is the Branch's short-term average liquidity position as measured by the LCR. The minimum requirements of the LCR follow an internationally agreed phase-in arrangement with the minimum required LCR being 60% as of 1 January 2015 increasing annually by 10% to a required minimum of 100% as of 1 January 2019.

Liquidity coverage ratio at 31 December is reflected below:

In thousands of zar	31 December 2015
High Quality Liquid Assets	411,700
Total net cash outflows	392,580
Liquidity coverage ratio	**105%**

The requirement of the LCR is to ensure that the Bank has adequate stock of unencumbered High Quality Liquid Assets to cover total net cash outflows over a 30 day period under a prescribed scenario.

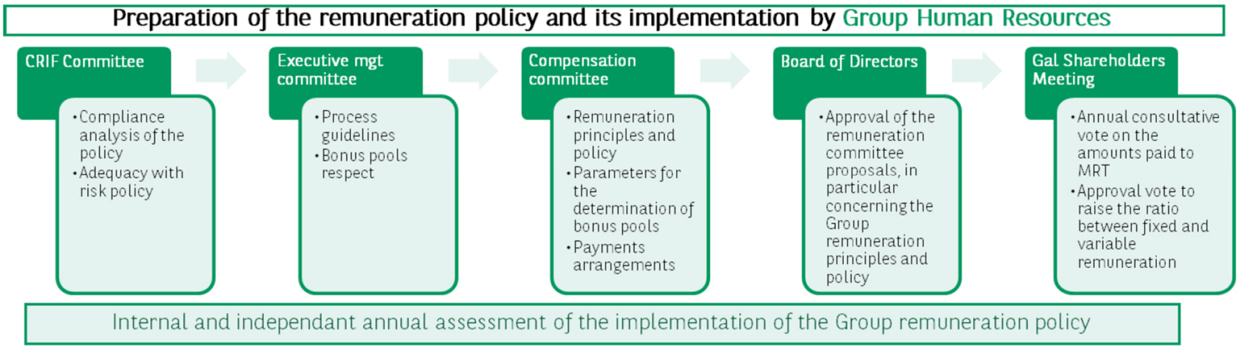
REMUNERATION

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/remuneration-des-collaborateurs-regules

The BNP Paribas Group's compensation guidelines and compensation policy are drwn up and proposed by Group Human Resources in cooperation with the relevant business lines. They are presented to the Group Compliance, Risk and Finance Committee (CRIF) for an opinion, and then enacted by Executive Management after presentation to the Compensation Committee and approval by the Board of Directors. Since 2014, the General Shareholders Meeting is consulted on some subjects.



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

	31 December 2015		31 December 2014	
In thousands of zar	Number	Amount	Number	Amount
Short-term employee benefits	6	13,558	6	12,890
Post-employment benefits		418		376
Total		**13,976**		**13,266**

APPENDIX A

In thousands of zar		31 December 2015	31 December 2014[*]
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	726,991	726,991
2	Retained earnings	(90,423)	(83,172)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
4	Amounts of qualifying items and the related share premium accounts subject to phase out from CET1	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
5	Minority interests (amount allowed in consolidated CET1)	-	-
6	**Common Equity Tier 1 (CET1) Capital before regulatory adjustments**	**636,568**	**643,819**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-	-
8	Goodwill (net of related tax liability) (negative amount)	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	**(570)**	**(878)**
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)(negative amount)	-	-
11	Fair value reserves related to gains or losses on cash flow hedges	-	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	-
13	Any increase in equity that results from securitised assets (negative amount)	-	-
14	Gains or losses on liabilities valued at fair valur resulting from changes in own credit standing	-	-
15	Defined-benefit pension fund assets (negative amount)	-	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	-
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
20	Mortgage servicing rights (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (negative amount)	-	-
22	Amount exceeding the 15% threshold (negative amount)	-	-
23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities*	-	-
24	*of which : mortgage servicing rights*	-	-
25	*of which: deferred tax assets arising from temporary differences*	-	-
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to phase-in period	-	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(570)**	**(878)**
29	**Common Equity Tier 1 (CET1) capital**	**635,998**	**642,941**

APPENDIX A (continued)

In thousands of zar		31 December 2015	31 December 2014
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	-
31	*of which: classified as equity under applicable accounting standards*	-	-
32	*of which: classified as liabilities under applicable accounting standards*	-	-
33	Amount of grandfathered qualifying items and the related share premium and the related share premium accounts subject to phase out from AT1	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests 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 (AT1) capital before regulatory adjustments**	-	-
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
39	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to phase-in treatment and transitional treatments subject to phase out	-	-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital	-	-
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period	-	-
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions applicable during phase-in period	-	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	-
44	**Additional Tier 1 (AT1) capital**	-	-
45	**Tier 1 capital (T1=CET1+AT1)**	635,998	642,941
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	-	-
47	Amount of grandfathered qualifying items and the related share premium accounts subject to phase out from T2	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 and 34) issued by subsidiaries and held by third parties	-	-
49	*of which: instruments issued by subsidiaries subject to phase out*	-	-
50	Credit risk adjustments	-	-
51	**Tier 2 (T2) capital before regulatory adjustments**	-	-
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-
54	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-
54a	*Of which new holdings not subject to transitional arrangements*	-	-
54b	*Of which holdings existing before 1 January 2013 and subject to transitional arrangements*	-	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to phase-in treatment and transitional treatments subject to phase out	-	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period	-	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period	-	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required during phase-in period	-	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	-
58	**Tier 2 (T2) capital**	-	-
59	**Total capital (TC=T1+T2)**	635,998	642,941
60	**Total risk weighted assets**	5,244,300	1,227,275

APPENDIX A (continued)

In thousands of zar		31 December 2015	31 December 2014
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	12%	52.4%
62	Tier 1 (as a percentage of risk exposure amount)	12%	52.4%
63	Total capital (as a percentage of risk exposure amount)	12%	52.4%
64	Institution specific buffer requirement (CET1 requirement in accordance with CET 1 minimum local requirement plus capital conservation and countercyclical buffer requirements, plus systemic buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	12%	0.0%
65	*of which: capital conservation buffer requirement*	*0.0%*	*0.0%*
66	*of which: countercyclical buffer requirement*	*0.0%*	*0.0%*
67	*of which: systemic risk buffer requirement*	*0.0%*	*0.0%*
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12%	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.5%	5.5%
70	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	8.0%	7.0%
71	National total capital minimum ratio (if different from Basel 3 minimum)	10.0%	10.0%
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-
74	Mortgage servcing rights (net of related tax laibility)	-	-
75	Deferred tax assets arising from temporary differences	-	-
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in Tier 2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-
78	Credit risk adjustments included in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-
Capital instruments subject to phase out arrangements (only applicable between 1 Jan 2013			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-