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

Registration number 2011/100541/10

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2014

pwc

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BNP PARIBAS S.A., SOUTH AFRICA BRANCH

STATEMENT OF THE EXECUTIVE COMMITTEE'S RESPONSIBILITY AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

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

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

The annual financial statements have been examined by the Branch's external auditors and their report is presented on pages 3 to 4.

The annual financial statements set out on pages 7 to 35 were approved by the Executive Committee on 30 April 2015 and are signed on its behalf by:

S KRAS
CHIEF OPERATING OFFICER

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

We have audited the annual financial statements of BNP Paribas S.A., South Africa Branch ("Branch") set out on pages 7 to 35, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Executive Committee's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BNP Paribas S.A., South Africa Branch as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2014, we have read the Executive Committee's Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on the report.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: I. Lim Ah Tock
Registered Auditor
Johannesburg
30 April 2015

BNP PARIBAS S.A., SOUTH AFRICA BRANCH

REPORT OF THE EXECUTIVE COMMITTEE
for the year ended 31 December 2014

The Executive Committee presents its report which forms part of the audited annual financial statements of the BNP Paribas S.A., South Africa Branch for the year ended 31 December 2014.

INCORPORATION AND ACTIVITES

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 85 countries and employs over 160,000 people. The Bank has its primary listing on the Paris stock exchange.

The Branch obtained a banking licence from the South African Reserve Bank 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 endownment capital from Head Office.

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

RESULTS OF OPERATIONS

The loss of the Branch amounted to R 38,874,000 (2013: R 53,529,000) for the year. The results of the Branch are explained in the annual financial statements, and no further comments are deemed necessary.

CAPITAL

During the current year the Branch received endownment capital of R 384,991,000 (2013: R 342,000,000).

HOLDING COMPANY

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

EQUIPMENT AND VEHICLES

Equipment and vehicles amounting to R 95,000 (2013: R 8,721,000) were acquired during the year.

INTANGIBLE ASSETS

Computer software amounting to R 213,000 (2013: R 1,827,000) was acquired during the year.

SUBSEQUENT EVENTS

The branch has issued three month notes of R 300,000,000 on the Johannesburg Stock Exchange on the 11th of March 2015 under its Domestic Meduim Term Notes (DMTN) programe. The total DMTN programe is R 10 billion with a maximum maturity of 10 years.

EXECUTIVE COMMITTEE

V Kodjo Diop (French)
M Mothepu
K Bhaga
S Kras (Dutch)
MJ Hertz
M Durandt

AUDITORS

PricewaterhouseCoopers Inc.

PERSON AUTHORISED TO ACCEPT SERVICE

V Kodjo Diop (French)

S Kras (Dutch)

PUBLIC OFFICER

V Kodjo Diop (French)

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Postnet Suite # 457
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Melrose Arch
2075

JOHANNESBURG
30 April 2015

BNP PARIBAS S.A., SOUTH AFRICA BRANCH

STATEMENT OF FINANCIAL POSITION
at 31 December 2014

	Notes	2014 R '000	2013 R '000
ASSETS			
Non-current assets			
Equipment and vehicles	2	6,673	7,675
Intangible assets	3	878	1,295
Current assets			
Loans and advances	4	1,628,538	319,512
Derivative financial instruments	5	1,046,224	100,284
Investment securities	6	72,348	-
Cash and short term funds	7	41,743	17,803
Other assets	8	20,873	16,980
TOTAL ASSETS		**2,817,277**	**463,549**
LIABILITIES			
Current liabilities			
Deposits	9	1,066,588	28,346
Derivative financial instruments	5	1,063,417	100,284
Provisions	10	10,555	7,894
Other liabilities	11	32,898	29,323
TOTAL LIABLITIES		**2,173,458**	**165,847**
EQUITY			
Endowment capital		726,991	342,000
Accumulated loss		(83,172)	(44,298)
TOTAL EQUITY		**643,819**	**297,702**
TOTAL EQUITY AND LIABILITIES		**2,817,277**	**463,549**

BNP PARIBAS S.A., SOUTH AFRICA BRANCH

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Notes	2014 R '000	2013 R '000
Interest income	13	38,800	14,533
Interest expense	14	(5,303)	(42)
Net interest income		33,497	14,491
Fee and commission income	15	28,522	16,573
Net loss on financial instruments classified as held for trading	16	(266)	-
Provision for impairment of contingent liabilities		(3,511)	-
Operating income		58,242	31,064
Personnel expenses		(47,423)	(36,563)
Other operating costs	17	(49,693)	(48,030)
Loss before taxation		**(38,874)**	**(53,529)**
Taxation	18	-	-
Loss after taxation and Total comprehensive loss for the year		**(38,874)**	**(53,529)**
Total comprehensive loss attributable to:			
Equity holders of the entity			
- Total comprehensive loss for the year		(38,874)	(53,529)

BNP PARIBAS S.A., SOUTH AFRICA BRANCH

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Attributable to owners of the entity		
	Endowment capital	Accumulated loss	Total
	R '000	R '000	R '000
Balance at 1 January 2014	342,000	(44,298)	297,702
Transfers from Head Office	384,991	-	384,991
Comprehensive loss for the period:			
Net loss for year	-	(38,874)	(38,874)
Total comprehensive loss for the year	-	(38,874)	(38,874)
Balance at 31 December 2014	726,991	(83,172)	643,819
Balance at 1 January 2013	-	-	-
Transfers from Head Office	342,000	-	342,000
Other:			
- Contribution by Head Office	-	9,231	9,231
Comprehensive loss for the period:			
Net loss for year	-	(53,529)	(53,529)
Total comprehensive loss for the year	-	(53,529)	(53,529)
Balance at 31 December 2013	342,000	(44,298)	297,702

BNP PARIBAS S.A., SOUTH AFRICA BRANCH

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Notes	2014 R '000	2013 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from operations	19.1	(123,456)	(46,205)
Increase in investment in advances net of deposits	19.2	(270,784)	(291,166)
Interest received		38,800	14,533
Interest paid		(5,303)	(42)
Cash flows from operating activities		(360,743)	(322,880)
CASH UTILISED IN INVESTING ACTIVITIES			
Acquisition of equipment and vehicles	2	(95)	(8,721)
Acquisition of intangible assets	3	(213)	(1,827)
Cash flows from investing activities		(308)	(10,548)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in endownment capital		384,991	342,000
Other contributions from Head Office		-	9,231
Cash flows from financing activities		384,991	351,231
Net increase in cash and cash equivalents		23,940	17,803
Cash and cash equivalents at beginning of year		17,803	-
Cash and cash equivalents at end of year	7	41,743	17,803

SUMMARY OF ACCOUNTING POLICIES
for the year ended 31 December 2014

Basis of reporting and presentation

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

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

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

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

a) New and amended standards adopted by the Branch
The following standards have been adopted by the Branch for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the Branch:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

There have been no significant impact on the Branch's financial statements as a result of the above.

b) New standards and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the branch, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed

Basis of reporting and presentation (continued)

measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Branch is yet to assess IFRS 9's full impact.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- IFRS 15 – Revenue from contracts with customers. The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

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

Accounting policies

Financial instruments

Financial instruments carried on the statement of financial position include cash and short term funds, derivative financial instruments, loans and advances, treasury bills and deposits.

Financial assets are classified in one of the following two categories: at fair value through profit or loss or loans and receivables. The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at the time of the purchase and re-evaluates such designation at every reporting date, where reclassification is allowed within IFRS.

Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term to benefit from movements in market prices, or if so designated by management, where the financial assets are managed on a fair value basis. Derivative financial instruments are also categorised as held for trading unless they are designated as hedges.

Accounting policies (continued)

Financial instruments (continued)

All financial instruments held for trading or hedging are recognised on trade date, the date on which the Branch commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the statement of comprehensive income as trading income in the period in which they arise. Interest earned and dividends received while holding trading assets are included in trading income.

Loans and receivables
Loans and receivables are carried at amortised cost using the effective interest method.

Customer loans are classified as doubtful when it is probable that they will not be repaid in whole or in part, even when guaranteed, or, in any event, when the principal amount or an interest payment is overdue by more than 90 days, or loans are more than 180 days overdue in the case of real estate loans.

Interest on loans for which interest rate adjustments have been made because of the borrower's financial difficulties is accounted for in accordance with the new terms of the loans.

Available for sale
Available-for-sale investments are initially recognised at fair value, and subsequently remeasured at fair value. Gains and losses on available-for-sale investments are recognised in equity in the period in which they arise. Unquoted equity instruments for which a reliable estimate of fair value cannot be determined are stated at cost. On disposal of available-for-sale securities the fair value adjustments accumulated in equity are recognised in the statement of comprehensive income as gains or losses from available-for-sale securities.

Fair value
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Branch establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs, refined to reflect the issuer's specific circumstances.

Deposit liabilities
Deposit liabilities are recognised initially at cost and subsequently stated at amortised cost unless they are designated at fair value through profit and loss. Any difference between net proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the deposit using the effective yield method.

Derivative financial instruments
Derivative financial instruments are used for trading or hedging purposes or to manage risk in trading portfolios and foreign currency denominated money market exposures, and include forward exchange contracts, interest rate swaps and future rate agreements. Derivative financial instruments are initially recognised in the statement of financial position at fair value on the date on which the Branch enters into the contract and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices or valuation models using data from observable markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Accounting policies (continued)

Financial instruments (continued)

All derivative financial instruments are designated as held for trading unless they are designated as hedges, with fair value gains and losses reported in the statement of comprehensive income.

Derivatives embedded in other financial instruments are treated as separate derivatives, when the risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with gains and losses reported in statement of comprehensive income.

Foreign exchange

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

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

Equipment and vehicles

Equipment and vehicles are carried at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight line method to reduce the carrying amounts to estimated residual values over the estimated useful lives of the related assets. The useful lives of the Equipment and vehicles are estimated as follows:

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

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

Intangible assets

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

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

Current and deferred taxation

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

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

Accounting policies (continued)

Current and deferred taxation (continued)

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

Cash and cash equivalents

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

Provisions

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

Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments

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

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

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

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Changes in the amount of impairment losses are recognised in the statement of comprehensive income. Any subsequent decrease in an impairment loss that can be related objectively to an event occurring after the impairment loss was recognised is credited to the statement of comprehensive income. Once an asset has been impaired, the theoretical income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under "Interest income" in the statement of comprehensive income.

Accounting policies (continued)

Impairment of loans and receivables and held-to-maturity financial assets, provisions for financing and guarantee commitments (continued)

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

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

Impairment of available-for-sale financial assets

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

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

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

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

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

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

SUMMARY OF ACCOUNTING POLICIES
for the year ended 31 December 2014

Accounting policies (continued)

Revenue recognition and expenditure

- Interest income and expense

Interest income and expense is recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method based on the original purchase price.

When the collection of loans becomes doubtful, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

- Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating of a transaction are recognised on completion of the underlying transaction. Management advisory and service fees are recognised based on the applicable service contracts.

Operating leases

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

1 FINANCIAL RISK MANAGEMENT

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

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

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

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

1.1 Credit risk

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

1.1.1 Credit risk measurement

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

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

1 FINANCIAL RISK MANAGEMENT (continued)

1.1 Credit risk (continued)

1.1.1 Credit risk measurement (continued)

Branch internal ratings scale and mapping of external ratings

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

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

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

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

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

1.1.2 Risk limit control and mitigation policies

The Branch manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.
The Branch structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.
(a) Collateral
The Branch employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

1 FINANCIAL RISK MANAGEMENT (continued)

1.1 Credit risk (continued)
1.1.2 Risk limit control and mitigation policies (continued)

In addition, in order to minimise credit loss the Branch will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) 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.

(c) Master netting arrangements
The Branch further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. The credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Branch's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

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

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

1 FINANCIAL RISK MANAGEMENT (continued)

1.1 Credit risk (continued)

1.1.3 Impairment and provisioning policies

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

The Branch's impairment provision at the year end was R 3,511,000 (2013: R nil).

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

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

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

	2014 R '000	2013 R '000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances	1,628,538	319,512
Derivative financial instruments	1,046,224	100,284
Investment securities	72,348	-
Cash and short term funds	41,743	17,803
Other assets	20,873	16,980
Credit risk exposures relating to off-balance sheet items are as follows:		
Performance guarantees	237,333	225,362
Letters of credit	365	-
At 31 December	3,047,424	679,941

The above table represents a worse case scenario of credit risk exposure to the Branch at 31 December 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

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

- 100% of the loans and advances portfolio is categorised as investment grade;
- 100% of the loans and advances portfolio are considered to be neither past due nor impaired;
- No loans are impaired;

1 FINANCIAL RISK MANAGEMENT (continued)

1.1 *Credit risk (continued)*
1.1.5 *Loans and advances*

All loans and advances are neither past due nor impaired, with no impairment provision.
(a) Loans and advances neither past due nor impaired
The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Branch.

	Loans and advances to large corporate customers			
	Term loans	Call loans and current accounts	Total loans and advances to customers	Loans and advances to banks
December 2014				
Investment grade	231,515	48,559	280,074	1,348,464
	231,515	48,559	280,074	1,348,464
December 2013				
Investment grade	-	17,957	17,957	301,555
	-	17,957	17,957	301,555

1.2 *Market risk*

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

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

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

1.3 *Currency risk*

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

Currency risk arises from foreign currency denominated assets and liabilities, including positions in foreign exchange derivatives. Non-derivative positions comprise foreign currency nostro balances, loans and deposits, which are short-term in nature and denominated in major currencies. The Branch uses forward exchange contracts to manage the currency

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Currency risk (continued)

risk arising from these positions (refer note 8). Head Office sets limits on the level of exposure by currency and in total for positions, which are monitored daily.
The table below analyses significant currency positions of the Branch by currency:

As at 31 December 2014 (R '000's)	**USD**	**GBP**	**EUR**	**Other**
Assets	8,770,649	-	2,684,405	-
Liabilities	(9,407,180)	-	(2,691,249)	-
Net notional derivative position	(636,531)	-	(6,844)	-
Assets	1,580,918	-	9,416	-
Liabilities	(943,010)	-	-	-
Net non - derivative position	637,908	-	9,416	-
Net position	1,377	-	2,572	-

As at 31 December 2013 (R '000's)	**USD**	**GBP**	**EUR**	**Other**
Assets	99,023	-	1,271	-
Liabilities	(99,021)	-	(1,263)	(6)
Net notional derivative position	2	-	8	6

1.4 Interest rate risk

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

The derivative interest sensitivity gap represents the net notional amounts of all interest-rate sensitive derivative financial instruments. The table below summarises the Branch's non-trading book exposure to interest rate risks.

As at 31 December 2014 (R '000's)	**Up to 6 months**	**More than 6 months to 12 months**	**Over 1 year**	**Non-interest bearing**	**Total**
Interest-sensitive assets					
Cash and short term funds	41,743	-	-	-	41,743
Loans and advances	1,628,538	-	-	-	1,628,538
Securities	72,348	-	-	-	72,348
	1,742,629	-	-	-	1,742,629
Interest-sensitive liabilities					
Deposits	1,003,156	-	-	63,432	1,066,588
	1,003,156	-	-	63,432	1,066,588
Total Interest sensitivity gap	739,473	-	-	(63,432)	676,041

1 FINANCIAL RISK MANAGEMENT (continued)

1.4 Interest rate risk (continued)

As at 31 December 2013

(R '000's)	Up to 6 months	More than 6 months to 12 months	Over 1 year	Non-interest bearing	Total
Interest-sensitive assets					
Cash and short term funds	17,803	-	-	-	17,803
Loans and advances	319,512	-	-	-	319,512
Other assets		-	-	25,950	25,950
	337,315	-	-	25,950	363,265
Interest-sensitive liabilities					
Deposits	7,863	-	-	20,483	28,346
Other liabilities	-	-	-	37,217	37,217
	7,863	-	-	57,700	65,563
Total Interest sensitivity gap	329,452	-	-	(31,750)	297,702

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

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

As at 31 December 2013 (R '000's)	Up to 1 month	More than 1 month to 3	More than 3 months to 6	More than 6 months to 12	Cumulative total for 12
Increase of 200 points	573	1,146	1,685	3,371	6,741
Decrease of 200 points	(573)	(1,146)	(1,685)	(3,371)	(6,741)

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Liquidity risk

The Branch is exposed to daily calls on its available cash resources from overnight deposits, maturing deposits, loan draw downs, guarantees and from other calls on cash settled derivatives. The Branch does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Head Office sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.
The table below analyses assets and liabilities of the Branch's undiscounted cash flows into relevant maturity buckets/groupin based on the remaining period at the reporting date to the contractual maturity date.

As at 31 December 2014 (R '000's)	Up to 1 month	More than 1 month to 6	More than 6 months to 12	Over 1 year	Total
Assets					
Loans and advances	676,120	479,729	-	472,689	1,628,538
Derivative financial instruments	1,046,224	-	-	-	1,046,224
Investment securities	-	72,348	-	-	72,348
Cash and short term funds	41,743	-	-	-	41,743
Other assets	28,424	-	-	-	28,424
	1,792,511	552,077	-	472,689	2,817,277
Liabilities					
Derivative financial instruments	1,063,417	-	-	-	1,063,417
Deposits	573,611	20,018	-	472,959	1,066,588
Other liabilities	43,453	-	-	-	43,453
	1,680,481	20,018	-	472,959	2,173,458
Net liquidity gap	112,030	532,059	-	(270)	643,819

As at 31 December 2013 (R '000's)	Up to 1 month	More than 1 month to 6	More than 6 months to 12	Over 1 year	Total
Assets					
Cash and short term funds	17,803	-	-	-	17,803
Derivative financial instruments*	100,284	-	-	-	100,284
Loans and advances	319,512	-	-	-	319,512
Other assets	25,950	-	-	-	25,950
	463,549	-	-	-	463,549
Liabilities					
Derivative financial instruments*	100,284	-	-	-	100,284
Deposits	28,346	-	-	-	28,346
Other liabilities	37,217	-	-	-	37,217
	165,847	-	-	-	165,847
Net liquidity gap	297,702	-	-	-	297,702

* The Branch reassesed the maturity of derivative financial instruments and restated comparatives. 2013 disclosure was:
Assets and liabilities : >1 year:R544m, 6 mths to 12 mths:R33.8m, 1 mth to 6 mths:R36m, 1 month:R0.3m

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Liquidity risk (continued)

Since the majority of loans and deposits are short-term in nature and the trading and investment assets comprise readily marketable securities, the Branch is able to liquidate positions in order to manage liquidity risk.
Liquidity shortfalls will be met by selling marketable securities, obtaining intergroup funding and utilising any unutilised interbank funding capacity.

1.6 Fair value hierarchy

Inputs to the valuation techniques used by the Branch to determine the carrying amounts of financial instruments measured at fair value may be either observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Branch's market assumptions. The fair values can be analysed into the following categories based on the nature of those inputs:
- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

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

As at 31 December 2014

	Level 1 R '000	Level 2 R '000	Level 3 R '000
Assets			
Financial assets held for trading			
- Derivatives	-	1,046,224	-
- Securities	72,348	-	-
Total Assets	72,348	1,046,224	-
Liabilities			
Financial assets held for trading			
- Derivatives	-	1,063,417	-
Total Liabilities	-	1,063,417	-

As at 31 December 2013

	Level 1 R '000	Level 2 R '000	Level 3 R '000
Assets			
Financial assets held for trading			
- Derivatives	-	100,284	-
Total Assets	-	100,284	-
Liabilities			
Financial assets held for trading			
- Derivatives	-	100,284	-
Total Liabilities	-	100,284	-

1 FINANCIAL RISK MANAGEMENT (continued)

1.6 Fair value hierarchy (continued)

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

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

2 EQUIPMENT AND VEHICLES

	Computer equipment	Office equipment and furniture	Motor vehicles	Total
	R '000	R '000	R '000	R '000
Movement for the year ended 31 December 2014				
Opening net book value	1,322	6,073	280	7,675
Acquisitions	94	1	-	95
Depreciation	(339)	(688)	(70)	(1,097)
Closing net book value	1,077	5,386	210	6,673
At 31 December 2014				
Cost	1,704	6,762	350	8,816
Accumulated depreciation	(627)	(1,376)	(140)	(2,143)
Net book value	1,077	5,386	210	6,673
Movement for the year ended 31 December 2013				
Opening net book value	-	-	-	-
Acquisitions	1,610	6,761	350	8,721
Depreciation	(288)	(688)	(70)	(1,046)
Closing net book value	1,322	6,073	280	7,675
At 31 December 2013				
Cost	1,610	6,761	350	8,721
Accumulated depreciation	(288)	(688)	(70)	(1,046)
Net book value	1,322	6,073	280	7,675

3 INTANGIBLE ASSETS

	Computer Software R '000
Movement for the year ended 31 December 2014	
Opening net book value	1,295
Acquisition	213
Amortisation	(630)
Closing net book value	878
At 31 December 2014	
Cost	2,040
Accumulated amortisation	(1,162)
Net book value	878
Movement for the year ended 31 December 2013	
Opening net book value	-
Acquisition	1,827
Amortisation	(532)
Closing net book value	1,295
At 31 December 2013	
Cost	1,827
Accumulated amortisation	(532)
Net book value	1,295

4 LOANS AND ADVANCES

	2014 R '000	2013 R '000
Loans and receivables:		
Advances to Central Clearing Counterparty	40,560	17,957
Call loans and current accounts to corporates	7,999	-
Overnight and term loans to other banks	1,266,223	-
Overnight and term loans to group banks	82,241	301,555
Term loans to corporates	231,515	-
	1,628,538	319,512

5 DERIVATIVE FINANCIAL INSTRUMENTS

The table below provides a detailed breakdown of the contractual or notional amounts and the fair values of the Branch's open positions in derivative financial instruments at 31 December 2014, which arise from trading activities. These derivatives allow the Branch and its customers to transfer, modify or reduce their market risks.

	Gross notional amount R '000	Fair values Assets R '000	Liabilities R '000
At 31 December 2014			
Foreign exchange derivatives			
Forward exchange contracts	6,462,341	129,958	(129,958)
Currency swaps	16,841,060	916,266	(933,459)
Total derivative assets/(liabilities) for 2014		1,046,224	(1,063,417)

	Gross notional amount R '000	Fair values Assets R '000	Liabilities R '000
At 31 December 2013			
Foreign exchange derivatives			
Forward exchange contracts	30,485	1,263	(1,263)
Currency swaps	2,560,888	99,021	(99,021)
Total derivative assets/(liabilities) for 2013		100,284	(100,284)

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

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

5 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

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

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

6 INVESTMENT SECURITIES

	2014 R '000	2013 R '000
Available for sale		
Treasury bills	72,348	-
	72,348	-

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

7 CASH AND SHORT TERM FUNDS

	2014 R '000	2013 R '000
Coins and bank notes	25	3
Balances with the South African Reserve Bank	11,862	250
Balances with group banks	10,354	10
Balances with other banks	19,502	17,540
	41,743	17,803

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	2014 R '000	2013 R '000
8 OTHER ASSETS		
Receivables from group entities	19,835	15,706
Other	1,038	1,274
	20,873	16,980
9 DEPOSITS		
At amortised cost		
Call deposits and current accounts by group entities	-	17,863
Call deposits and current accounts by corporates	63,432	10,483
Call deposits and current accounts by banks	2	-
Term deposits by group banks	943,010	-
Term deposits by corporates	60,144	-
	1,066,588	28,346
10 PROVISIONS		
10.1 Staff bonuses		
Opening Balance	7,894	-
Utilised during the year	(7,894)	-
New provision for the year	7,044	7,894
	7,044	7,894

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

	2014 R '000	2013 R '000
10.2 Credit Provision		
Opening Balance	-	-
Utilised during the year	-	-
New provision for the year	3,511	-
	3,511	-

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

	2014 R '000	2013 R '000
Total Provisions	10,555	7,894
11 OTHER LIABILITIES		
Unearned Income	8,689	466
South African Revenue Services	2,219	3,338
Payables to group entities	20,172	23,153
Other	1,818	2,366
	32,898	29,323

12 REVENUE

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

	2014 R '000	2013 R '000
13 INTEREST INCOME		
Loans to banks	32,156	14,533
Loans to customers	2,997	-
Treasury Bills	3,647	-
	38,800	14,533
14 INTEREST EXPENSE		
Deposits from banks	2,358	42
Deposits from customers	2,945	-
	5,303	42
15 FEE AND COMMISSION INCOME		
Commission fee income	5,841	1,062
Other fee income from Group companies	22,681	15,511
	28,522	16,573
16 NET LOSSES ON FINANCIAL INSTRUMENTS CLASSIFIED AS HELD FOR TRADING		
Net trading gains/(losses):		
- Foreign exchange	(266)	-
	(266)	-
17 OTHER OPERATING COSTS		
Auditors' remuneration		
- fee for audit	711	1,283
Consulting Fees	6,647	8,784
Depreciation and amortisation	1,727	1,578
Operating lease – premises	1,928	1,880
Head office administration fees	21,726	9,785
Travel and entertainment	4,182	4,347
Indirect taxes	4,623	4,672
Information Technology	6,149	9,657
Other operating expenses	2,000	6,044
	49,693	48,030

18 TAXATION

18.1 Income Tax

	2014 R '000	2013 R '000
South African normal taxation:		
- Current	-	-
- Deferred	-	-
	-	-
Accounting loss	(38,874)	(53,529)
Reconciliation of rate of taxation:	%	%
Standard rate of taxation	28%	28%
Deferred Tax not recognised	-28%	-28%
Effective rate of taxation	0%	0%

18.2 Deferred tax

No deferred tax asset has been raised for the 2014 year. The Branch has an assessable loss amounting to R 63,302,000 (2013: R 44,259,000) to be utilised against future taxable income.

19 CASH FLOW INFORMATION

19.1 Cash flow from operations:

	2014 R '000	2013 R '000
Net loss before taxation	(38,874)	(53,529)
Adjustment for:		
Depreciation and amortisation	1,727	1,578
Interest received	(38,800)	(14,533)
Interest paid	5,303	42
Changes in derivatives	17,193	-
Increase in securities	(72,348)	-
Increase in sundry accounts receivable and prepayments	(3,893)	(16,980)
Increase in provisions	2,661	7,894
Increase in sundry accounts payable	3,575	29,323
	(123,456)	(46,205)

19.2 Increase in investment in advances net of deposits

	2014 R '000	2013 R '000
Increase in deposits	1,038,242	28,346
Increase in loans and advances	(1,309,026)	(319,512)
	(270,784)	(291,166)

	2014 R '000	2013 R '000

20 COMMITMENTS AND CONTINGENT LIABILITIES

	2014 R '000	2013 R '000
The Branch has contingent liabilities in respect of:		
Performance guarantees	237,333	225,362
Letters of credit	365	-
	237,698	225,362

21 OPERATING LEASE COMMITMENTS

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

	2014 R '000	2013 R '000
Not later than 1 year	1,218	1,534
Later than 1 year and not later than 5 years	-	1,218
	1,218	2,752

22 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Branch is controlled by BNP Paribas S.A.which contributed all of the Branch's endowment capital.
Transactions are entered into with BNP Paribas S.A. group companies for purposes of trade finance, interest arbitrage and risk management operations and to acquire funding. These transactions are concluded on an arms length basis at market rates. The amount of related party transactions and outstanding balances at year end are as follows:

Notional amount of transactions for the year ended 31 December 2014:

	2014 R '000	2013 R '000
Swap purchases/sales of currency	30,854,095	-
Forward purchases/sales of currency	4,453,680	34,202
Spot purchases/sales of currency	4,977,788	305,040
Loans and Deposits	11,639,204	-
Total	51,924,767	339,242

Outstanding balances at 31 December 2014:

	2014 R '000	2013 R '000
Derivatives		
BNP Paribas Paris	711,142	100,284
Advances and Nostro Balances		
BNP Paribas Bahrain	82,241	-
BNP Paribas New York	938	-
BNP Paribas London	9,416	-

22 RELATED PARTIES (continued)

	2014 R '000	2013 R '000
Deposits		
BNP Paribas Security Services	10,000	10,000
BNP Paribas Securites South Africa	30,510	7,857
BNP Paribas Bahrain	943,010	-
Other Receivables		
BNP Paribas Paris	19,172	15,706
BNP Paribas Securites South Africa	663	-
Other Payables		
BNP Paribas Bahrain	13,024	23,153
BNP Paribas Security Services	672	-
BNP Paribas Paris	6,476	-