Absa Bank Limited
Annual consolidated and separate financial statements
for the reporting period ended 31 December 2015
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Our reporting suite

The annual financial statements forms part of our annual reporting suite. The following reports and fact sheets are available at barclaysafrica.com and on our report website at barclaysafrica2015ar.co.za

Integrated Report 2015
Risk management report
Financial results booklet

Supplementary fact sheets:
Citizenship
Broad-Based Black Economic Empowerment (BBBEE) (South Africa)
Global Reporting Initiative (GRI) index
King III

Absa Bank Limited
(1986/004794/06)
Annual consolidated and separate financial statements for the reporting period ended 31 December 2015.
These audited annual consolidated and separate financial statements (“financial statements”) were prepared by Barclays Africa Group Financial Control under the direction and supervision of the Barclays Africa Group Limited Financial Director and Deputy Chief Executive Officer, D W P Hodnett CA(SA).
Directors’ approval

Statement of directors’ responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors’ responsibility statement set out on page 6, is made to distinguish, for the benefit of shareholders, the respective responsibilities of the directors and of the auditors in relation to the financial statements of the Bank.

The directors are responsible for overseeing the preparation, integrity and objectivity of the financial statements that fairly present the state of the affairs of Absa Bank Limited and its subsidiaries (“the Bank”) and Absa Bank Limited standalone (“the Company”) at the end of the reporting period and the net income and cash flows for the reporting period, and other information contained in this report.

To enable the directors to meet these responsibilities:

- All directors and senior management develop an environment whereby all directors and employees endeavour to maintain the highest ethical standards in ensuring the Bank’s business is conducted in a manner that, in all reasonable circumstances, is above reproach.
- The Board sets standards and management implements systems of internal control and accounting as well as information systems aimed at providing reasonable assurance that both on- and off-statement of financial position are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The Board and management identify all key areas of risk across the Bank and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems, and discipline are applied and managed within predetermined procedures and constraints.
- The Bank’s internal audit and compliance functions, which operate unimpeded and independently from operational management and have unrestricted access to the Group Audit and Compliance Committee (“GACC”), appraise, evaluate and, when necessary, recommend improvements to the systems of internal control, accounting and compliance practices, based on plans that, combined with the efforts of the Bank’s risk functions, take cognisance of the relative degrees of risk of each function or aspect of the business.
- The GACC, together with the external and internal auditors, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure. The GACC reviews reports on the principal risk areas and is responsible for approving the principal risk control frameworks. The GACC is satisfied that the external auditors are independent.
- The Board, through the GACC which is assisted by the Group Risk and Capital Management Committee (“GRCMC”) in respect of risk matters, reviewed the compliance practices and procedures to enable the Board to discharge their regulatory responsibilities, by overseeing the plan and progress of management in improving compliance in respect of Know Your Customer, Anti-Money Laundering and Sanctions (“KAMLS”) requirements; and by considering that the Bank’s systems and processes appropriately reflect the current legal and regulatory environment, refer to note 47.
- The Bank consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

Based on the above, and to the best of their knowledge and belief, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the current reporting period.

The financial statements of the Bank and the Company have been prepared in accordance with the provisions of the Companies Act and the Banks Act, the Johannesburg Stock Exchange (“JSE”) listings requirements and the SAICA financial reporting guides, and comply with the requirements of IFRS, and all applicable legislation.

Based on forecasts and available cash resources, the directors have no reason to believe that the Bank and the Company will not be going concerns in the next reporting period. These financial statements have been prepared on this basis.

It is the responsibility of the independent joint external auditors to report on the financial statements. Their report to the shareholders of the Bank and Company is set out on page 6 of this report.

The directors’ report on pages 7 to 10, the financial statements of the Bank and the Company were approved by the Board of directors and are signed on their behalf by:

W E Lucas-Bull
Group Chairman

M Ramos
Chief Executive Officer (CEO)

Johannesburg
29 February 2016
The Group Audit and Compliance Committee ("GACC") is pleased to submit this report in respect of the current reporting period to the shareholders of Absa Bank Limited. This report includes the requirements of section 94(7)(f) of the Companies Act, No. 71 of 2008 (as amended) ("the Companies Act"), the King Code of Corporate Governance Principles for South Africa 2009 ("King III") and other regulatory requirements.

The GACC serves as the audit committee of Absa Bank Limited and its subsidiaries ("the Bank"). Although certain material subsidiaries have separate audit committees, these fall under the ambit of oversight of the GACC, to which all major issues are escalated. The GACC may review from time to time, together with the chairman of the audit committees of the material subsidiaries, the control environment of these subsidiaries.

Information on the membership and composition of the GACC, its terms of reference and its procedures, is set out in the corporate governance statement available on the Group's website.

Activities of the GACC

The GACC's duties include its statutory duties in terms of the Companies Act as well as additional duties assigned to it by the Bank's Board of directors in its terms of reference. During the current reporting period, the GACC undertook the following duties:

In respect of the external auditors and the external audit:
- Nominated PricewaterhouseCoopers Inc. ("PwC") and Ernst & Young Inc. ("EY") as joint external auditors for the current reporting period;
- Recommended to the Board, for approval at the annual general meeting in terms of section 61 of the Companies Act, the appointment of PwC and EY as joint external auditors for the 2016 reporting period;
- Ensured the appointment of the external auditors for the 2017 reporting period onwards complied with the Companies Act and all other applicable legal and regulatory requirements;
- Reviewed, together with management, the external audit plan to address areas of significant focus which will be reported on in the new audit report to be disclosed in the 2016 financial results, and specifically considered the external auditors' findings in this regard;
- Reviewed and approved the external audit plan, the budgeted fee for the reporting period and the terms of engagement of the external auditors;
- Reviewed and assessed the quality of the external audit process, including receiving confirmation that there was no restriction on scope or access, and concluded that the process had been satisfactory;
- Reviewed the external auditors’ reports and obtained assurances from the external auditors that adequate accounting records were maintained at all times;
- Ensured that adequate time was set aside for private discussions with the external auditors;
- Confirmed that the external auditors would attend and address queries at any general shareholders’ meeting;
- Reviewed and approved the Bank’s policy on non-audit services to be provided by the external auditors during the reporting period;
- Approved proposed contracts with the external auditors for the provision of non-audit services falling within the scope of the policy concerning non-audit services;
- Reviewed and approved the fees charged by the external auditors relating to the provision of non-audit services;
- Considered whether any reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, No. 26 of 2005, and determined that there were no such reportable irregularities; and
- Reviewed the findings and recommendations of the external auditors and confirmed that no unresolved issues of concern exist between the Bank and the external auditors in relation to the Bank or any of its business units and subsidiaries.

In respect of the financial statements and accounting practices:
- Confirmed the use of the going-concern basis as appropriate for the preparation of the interim financial results and annual financial statements;
- Reviewed and recommended the interim financial results and annual financial statements, prior to submission to and approval by the Board and satisfied itself that they fairly present the consolidated financial position and comply, in all material respects, with the relevant provisions of the Companies Act, International Financial Reporting Standards ("IFRS") and Interpretations of IFRS, and the South African Institute of Chartered Accountants’ ("SAICA") Reporting Guides;
- Reviewed and recommended for approval by the Board the reporting changes contained in the announcement released on the Stock Exchange News Services ("SENS") on 29 July 2015 and 1 March 2016. The GACC satisfied itself that the changes disclosed in the annual financial statements and SENS result in fair presentation of the consolidated financial position as presented in the annual financial statements and comply, in all material respects, with the relevant provisions of the Companies Act, IFRS and interpretations of IFRS, and SAICA’s Reporting Guides;

Note
1 The Barclays Africa Group Limited website can be accessed at www.barclaysafrica.com.
Group Audit and Compliance Committee report

Activities of the GACC (continued)

- Reviewed and recommended the interim and final dividend proposals for approval by the Board;
- Reviewed the solvency and liquidity tests undertaken for specific transactions, dividend declarations and financial assistance;
- Reviewed significant accounting and reporting issues, including complex or unusual transactions, sustainability of the control environment, significant judgemental areas, and recent professional and regulatory pronouncements, and ascertained their impact on the financial statements;
- Considered the accounting policies, practices and internal controls of the Bank. The GACC is satisfied that they are appropriate and comply in all material respects with the relevant provisions of the Companies Act, IFRS and the Interpretations of IFRS;
- The Committee noted the new requirements of IFRS 9 – Financial Instruments and reviewed the planned implementation across the Bank;
- Considered and assessed the new tax governance philosophy, based on principles which seek to balance the Bank’s appetite regarding tax planning and the prevention of tax losses;
- Reviewed significant matters which are not a normal part of the Bank’s business, but which are referred to the Committee by the Board or management;
- The Committee noted the new requirements of the revised auditor reporting standards issued by the Internal Auditing and Assurance Board; and
- The Committee considered the valuation of investments of Absa Bank Limited and recommended it to the Board for approval.

In respect of internal control and internal audit:

- Reviewed and approved the updated Internal Audit (“IA”) charter, noting the application of a combined assurance model supported by a framework aligned to King III;
- Reviewed the current reporting period’s internal audit plan, including the adequacy of BIA’s skills, resources and budget;
- Reviewed the scope, nature and effectiveness of the work of BIA and the performance of BIA against its objectives and the internal audit charter, including receiving confirmation that there was no restriction on scope or access, and noted the completion of the current reporting period’s internal audit plan;
- Reviewed reports from BIA on trends in audit assessments, issues identified and emerging risks in the control environment;
- Regularly reviewed management’s actions in remedying control deficiencies reported by BIA;
- Considered a review by the external auditors, which concluded that there are adequate bases for external audit to place reliance on the work of BIA as appropriate;
- An independent review of the BIA function is performed at least every five years. The last review was conducted by KPMG in 2013. Additionally, regular internal quality reviews by BIA staff and Barclays Bank PLC’s BIA were performed during the reporting period, which proved satisfactory BIA performance;
- Considered a special report on the fraud risk management capability across the Bank; and
- BIA continues to review the Bank’s systems of internal control and risk management on an ongoing basis. Based on the work performed as part of the approved audit plan for the current reporting period, BIA confirmed that sound risk management and a robust framework of internal control is in place over financial, operational and compliance issues which supports the validity, accuracy and completeness of the financial information. Where areas of improvement were identified by BIA, management has completed corrective actions, or is in the process of implementing corrections. Progress is tracked to completion by BIA.

In respect of compliance, legal and regulatory requirements, to the extent they may have an impact on the financial results:

- Reviewed and approved the Bank’s compliance monitoring plan, compliance methodology and structure, the Bank’s compliance coverage plan and the Bank’s compliance charter;
- Reviewed compliance practices and procedures for enabling the directors of the Bank to discharge their regulatory responsibilities;
- Considered that the Bank’s systems and processes appropriately reflect the current legal and regulatory environment, and how changes in laws and regulations are monitored and operationalised in this context;
- Recommended the Banks Act, No. 94 of 1990 (“the Banks Act”), section 64B(2)(e) statement to the Directors’ Affairs Committee for review and to the Board for approval;
- Considered compliance with Regulation 4D(4) of the Banks Act, including the annual review of material malfunction, and recommended this to the Board for approval;
- Reviewed and approved the regulatory compliance risk control framework and applicable compliance policies, which include the requirements for the Bank to comply with applicable laws, rules, codes and standards;
Activities of the GACC (continued)

- Satisfied itself that the functioning of Bank Compliance is in line with relevant regulatory requirements, including without limitation, section 60A and regulation 49 of the Banks Act, Financial Advisory and Intermediary Services Act, No. 37 of 2002 (“FAIS”), section 17 and regulation 4, regulation 5 and Board Notice 126 and 127, Financial Intelligence Centre Act, No. 38 of 2001 (“FICA”), section 42 and King III, Principle 6;
- Assessed the adequacy and effectiveness of Bank Compliance’s performance, including receiving confirmation that there was no restriction on scope or access;
- Considered and reviewed the adequacy of the resources and budget available to Bank Compliance;
- Ensured that procedures are in place for receiving and treating complaints in terms of the Companies Act and other applicable acts regarding accounting practices, the internal audit of the Bank, the content or auditing of the Bank’s financial statements, the internal financial controls of the Bank or any related matters (including internal, anonymous complaints from employees or any other person);
- Considered any significant compliance risk matters reported by Bank Compliance and monitored progress in rectifying these matters;
- Ensured that procedures are in place for receiving reports from internal lawyers (and where relevant external lawyers) relating to breaches of laws and regulations.
- Reviewed, on a regular basis, the SOX control environment and monitored its alignment with the risk and control assessments; and
- Reviewed the Bank’s Compliance report on the overall status of compliance in the Bank and any significant breakdowns that caused or could cause material loss or penalty.

In respect of risk management:
- Reviewed the reports identifying material control issues that required, or are subject to, remedial attention and which summarised the actions being taken to resolve these issues;
- Reviewed the Chief Risk Officer’s report, including the key risk and combined assurance assessments, as well as the risk and control assessments;
- Noted actions of Operational Risk in embedding the three lines of defence and in minimising operational losses, including fraud;
- Together with the GRCMC, oversaw the plan and progress of management in improving compliance in respect of Know Your Customer, Anti-Money Laundering and Sanctions (“KAMLS”) requirements; and
- Monitored governance around the combined assurance framework, including the status of the combined assurance model.

Regulatory and corporate governance requirements

In accordance with the provisions of the JSE Listings Requirements, the GACC is satisfied that:
- The appointed external auditors are duly accredited as independent on the JSE’s list of auditors; and
- The Bank Financial Director, D W P Hodnett, has appropriate expertise and experience.

Pursuant to King III, the GACC is satisfied that the composition, experience and skills set of the finance function are adequate to fulfil all financial, control and reporting requirements of the Bank.

Independence of the external auditors

The GACC is satisfied that PwC and EY are independent of the Bank. This conclusion was arrived at by taking, inter alia, the following factors into account:
- Representations from PwC and EY confirming their independence and that nothing had taken place which would impair this at any time, including obtaining confirmation that no restrictions had been placed upon PwC or EY that limited their scope or access;
- The auditors did not, except as external auditors or in providing permitted non-audit services, receive any other remuneration or benefit from the Bank;
- The criteria for independence set by the Independent Regulatory Board for Auditors and international regulatory bodies were satisfied;
- The auditors’ independence was not impaired by any consultancy, advisory or other work undertaken by the auditors;
- The auditors’ independence was not prejudiced as a result of any previous appointment as auditors; and
- The GACC received a letter of confirmation from each of the joint external auditors that they meet all the requirements for independence and that the auditor’s report thereon to the JSE by way of confirmation in the GACC report is included in the annual consolidated financial statements.
Audit tender process – selection of joint external auditors

The GACC participated in the selection of the external auditors for Barclays Bank PLC and has also managed the selection of the joint auditors for the Bank to ensure that the tender was executed in a fair and transparent manner:

- A request for particulars (“RFP”) was prepared;
- The process involved detailed written responses by the participating audit firms to the RFP, followed by a presentation to management and members of the GACC;
- Following the presentations and responses to questions by each firm consideration was given to a scoring methodology as well as other determining factors;
- PwC could not participate in the tender for the Barclays Bank PLC audit due to the tenure of the relationship and to allow Barclays Bank PLC to meet recent regulations concerning audit firm rotation; and
- PwC did however participate in the tender process as joint auditor of the Bank and the undersigned recused himself from this process given a potential conflict of interest having regard to his former association with PwC. The selection of the joint auditors for the Bank was therefore managed by Alex Darko and Trevor Munday.

KPMG has been selected as the external auditor for Barclays Bank PLC, effective 1 January 2017, while KPMG and EY have been selected as the joint auditors of Absa Bank Limited from the same effective date.

Conclusion

The GACC is satisfied that it has complied with all statutory duties and duties given to it by the Board under its terms of reference. The GACC is satisfied that the financial and internal controls are adequate in all aspects and that no material breakdowns took place that resulted in material loss to the Bank.

The GACC reviewed the Bank and separate Company financial statements for the year ended 31 December 2015 and recommended them for approval to the Board on 29 February 2016.

On behalf of the GACC

C Beggs
Chairman of the GACC

Johannesburg
29 February 2016
Company Secretary’s certificate to the shareholders of Absa Bank Limited

In accordance with the provisions of the Companies Act of South Africa, I certify that, in respect of the year ended 31 December 2015, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission, all returns and notices prescribed by the Act and that all such returns and notices are true, correct and up to date.

N R Drutman
Company Secretary
Johannesburg
29 February 2016

Independent auditors’ report to the shareholders of Absa Bank Limited

We have audited the consolidated and separate financial statements of Absa Bank Limited, set out on pages 11 to 196, which comprise statements of financial position as at 31 December 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information but excludes the sections marked as “unaudited” in notes 51.2, 56.2, 56.6 and 59.

Directors’ responsibility for the financial statements
The company’s directors are responsible for the preparation and fair presentation of these consolidated and separate 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 directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ responsibility
Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Absa Bank Limited as at 31 December 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the Directors’ Report, the Group Audit and Compliance Committee’s Report and the Company Secretary’s Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, and subsequent guidance, we report that PricewaterhouseCoopers Inc. and Ernst & Young Inc. have been the auditors of Absa Bank Limited for 11 and 24 years respectively. J P Bennett and E L Pera have been the individual registered auditors responsible and accountable for the audit of Absa Bank Limited for five years and four years respectively. We confirm that we are independent in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors and other independence requirements applicable to the independent audit of Absa Bank Limited.

PricewaterhouseCoopers Inc.
Director: J P Bennett
Registered Auditor
2 Eglin Road, Sunninghill
Johannesburg
29 February 2016

Ernst & Young Inc.
Director: E Pera
Registered Auditor
102 Rivonia Road, Sandton
Johannesburg
Directors’ report

General information and nature of activities

Absa Bank Limited (“the Company”), is incorporated and domiciled in South Africa and provides retail, business, corporate, investment banking, and wealth management products and services. The Company and its subsidiaries (“the Bank”) operate primarily in South Africa and employ 26 739 people. The address of the registered office of the Bank is 7th Floor, Barclays Towers West, 15 Troye Street, Johannesburg, 2001. The Company has preference shares listed on the Johannesburg Stock Exchange (“JSE”).

The Bank is a wholly owned subsidiary of Barclays Africa Group Limited (“BAGL”).

The Bank’s ultimate parent company is Barclays Bank PLC, which is incorporated and domiciled in the United Kingdom. The address of its registered office is 1 Churchill Place, Canary Wharf, London, United Kingdom.

The Bank is one of South Africa’s largest financial services organisations, serving retail, business and corporate customers and clients in South Africa. The Bank also provides products and services to selected markets in Nigeria.

The Bank interacts with its customers and clients through a combination of physical and electronic channels, offering a comprehensive range of banking services (from basic products and services for the low-income personal market, to customised solutions for the commercial and corporate markets), financial services and wealth management products and services.

The consolidated and separate financial statements were approved for issue by the Board Finance Committee, a committee of the BAGL Board, on 29 February 2016.

The financial statements set out fully the financial positions, results of operations and cash flows for the Bank and the Company for the reporting period ended 31 December 2015.

Group Audit and Compliance Committee report

Refer to page 2.

Bank results

Main business and operations

The Bank recorded an increase of 10% in headline earnings to R9 657m (2014: R8 787m) for the reporting period. Headline earnings per share (“HEPS”) and fully diluted HEPS both increased by 6% to 2 405,2 cents (2014: 2 271,1 cents).

Some comparative information contained in this set of financial statements has been restated. Refer to note 1.19 of the accounting policies for further details.

Headline earnings were derived from the following activities:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2015</th>
<th>2014¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail and Business Banking (“RBB”)</td>
<td>Rm</td>
<td></td>
</tr>
<tr>
<td>Retail Banking</td>
<td>8 596</td>
<td>7 579</td>
</tr>
<tr>
<td>Business Banking</td>
<td>6 391</td>
<td>5 504</td>
</tr>
<tr>
<td>Corporate and Investment Bank (“CIB”)</td>
<td>Rm</td>
<td></td>
</tr>
<tr>
<td>Wealth</td>
<td>2 391</td>
<td>2 192</td>
</tr>
<tr>
<td>Head Office, Treasury and other operations</td>
<td>(81)</td>
<td>(69)</td>
</tr>
<tr>
<td>Headline earnings (refer to note 36)</td>
<td>(1 249)</td>
<td>(915)</td>
</tr>
<tr>
<td></td>
<td>9 657</td>
<td>8 787</td>
</tr>
</tbody>
</table>

Note

¹ These numbers have been restated, refer to note 1.19.
Directors’ report

Directors

The directors of the Company during the reporting period and as at the reporting date are as follows:

C Beggs
Y Z Cuba
T Dingaan
S A Fakie (Resigned 30 June 2015)
D W P Hodnett (Deputy Chief Executive Officer and Financial Director)
M J Husain
W E Lucas-Bull (Chairman)
T M Mokgosi-Mwantembe
T S Munday (Lead Independent Director)
P S O’Flaherty (Appointed 1 February 2016)
M Ramos (Chief Executive Officer)

Re-election of retiring directors

In line with international best practice, the Company has a requirement in terms of which all directors on the Board for longer than nine years are subject to annual re-election by shareholders at the annual general meeting (“AGM”). Y Z Cuba and T S Munday are the only directors who will be required to retire in terms of the above arrangement and will be eligible for re-election at the 2016 AGM.

In terms of the Company’s Memorandum of Incorporation (“MOI”), one-third of the directors are required to retire at each AGM and may offer themselves for re-election.

Shareholder information

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>% held</td>
</tr>
<tr>
<td>Non-public shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barclays Africa Group Limited</td>
<td>302 609 359</td>
<td>100</td>
</tr>
<tr>
<td>“A” Ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barclays Africa Group Limited</td>
<td>110 188 222</td>
<td>100</td>
</tr>
<tr>
<td>Public shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>278 011</td>
<td>5,6</td>
</tr>
<tr>
<td>Standard Bank</td>
<td>343 296</td>
<td>7,0</td>
</tr>
<tr>
<td>Other preference shareholders</td>
<td>4 323 532</td>
<td>87,4</td>
</tr>
<tr>
<td></td>
<td>4 944 839</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes:
1 Independent non-executive director.
2 Executive director.
3 Non-executive director.
Directors’ report

Directors’ interests in Absa Bank Limited preference shares
As at the reporting date, no director held any preference shares in the Bank.

Directors’ and officers’ personal financial interests in contracts
Transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

Executive directors are entitled to share awards, the details of which are included in note 59.

No other contracts were entered into in which directors and officers of the Bank had a personal financial interest and which significantly affected the business of the Bank. The directors had no interest in any third party or company responsible for managing any of the business activities of the Bank.

Directors’ and prescribed officers’ emoluments
The emoluments and services of directors and prescribed officers are determined by the Group Remuneration and Human Resources Committee (“GRHRC”) as disclosed in note 59.

Subsidiaries, associates and joint ventures
The interests in subsidiaries, associates and joint ventures are set out in note 42 to the consolidated financial statements.

Acquisitions and disposals
Refer to note 50 for additional information on the acquisitions and disposals of businesses and other significant assets.

Acquisitions during the current reporting period
During the current reporting period, the Bank acquired additional shares in a non-core joint venture that increased the Company’s shareholding from 50% to 67%. The profit share that the Bank is entitled to is 74%.

Disposals during the current reporting period
There were no disposals of businesses during the current reporting period.
Dividends

- On 3 March 2015, a final dividend of 912,78268 cents per ordinary share was announced to the ordinary shareholder registered on 17 April 2015.
- On 3 March 2015, a final dividend of 3 210,89041 cents per preference share was announced to the preference shareholders registered on 27 March 2015.
- On 29 July 2015, an interim dividend of 631,07 cents per ordinary share was announced to the ordinary shareholder registered on 11 September 2015.
- On 29 July 2015, an interim dividend of 3 282,8082 cents per preference share was announced to preference shareholders registered on 11 September 2015.
- On 31 July 2015, a special dividend of 504,86 cents per ordinary share was announced to the ordinary shareholder.
- On 30 September 2015, a special dividend of 745,15 cents per ordinary share was announced to the ordinary shareholder.
- On 1 March 2016, a dividend of 484,4989 cents per ordinary share was approved. The dividend was announced on 1 March 2016 to the ordinary shareholder registered on 8 April 2016. This dividend is payable on 11 April 2016.
- On 29 February 2016, a dividend of 3 395,479452 cents per preference share was approved. The dividend was announced on 1 March 2016 to preference shareholders registered on 8 April 2016. The dividend is payable on 11 April 2016.

Special resolutions

The following special resolutions were passed by the Company’s ordinary shareholders at the AGM held on 28 May 2015, in accordance with the Companies Act:

- **Special resolution number 1 – Remuneration of non-executive directors**
  - Resolved to approve the proposed remuneration to be payable to non-executive directors of the Company for the period 1 May 2015 to and including the last day of the month preceding the date of the next AGM thereafter.

- **Special resolution number 2 – Financial assistance to a related or inter-related company/corporation**
  - Resolved that the Bank, in terms of a general authority contemplated in section 45(3)(a)(ii) of the Companies Act, for a period of two years from the date of this resolution, to provide direct or indirect financial assistance as regulated by section 45 of the Companies Act to a related or inter-related company/corporation and/or to a member of a related or inter-related company/corporation.

Company Secretary

N R Drutman is the Company Secretary. Her contact details are as follows:

7th Floor, Barclays Towers West
15 Troye Street
Johannesburg, 2001

Telephone: (+27 11) 350 5347
Email: groupsec@barclaysafrica.com

Auditors

PricewaterhouseCoopers Inc. ("PwC") and Ernst & Young Inc. ("EY") continued in office as auditors of the Bank. At the AGM of 17 May 2016, shareholders will be requested to reappoint PwC and EY as auditors of the Bank for the 2016 reporting period. K D Ackerman (PwC) and E Pera (EY) will be the individual registered auditors that will undertake the audit.

During the current reporting period, the Company completed a rigorous tender process in which KPMG, EY, PwC and Deloitte were invited to participate. KPMG and EY were selected as the newly appointed auditors effective from 1 January 2017. The shareholders will be requested to approve these appointments at the 2016 AGM.

Authorised and issued share capital

**Authorised**

The authorised ordinary share capital of the Company of **R322 800 000** (2014: R322 800 000) consists of:

- **320 000 000** (2014: 3 200 000) ordinary shares of R1,00 each; and
- **250 000 000** (2014: 250 000 000) ‘A’ ordinary shares of R0,01 each.

The authorised preference share capital of the company of **R300 000** (2014: R300 000) consists of:

- **30 000 000** (2014: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0,01 each.

**Issued**

An additional **16 646 332** ‘A’ ordinary shares were issued in the current reporting period (2014: 13 034 033).

The total issued ordinary share capital at the reporting date, consists of:

- **302 609 359** (2014: 302 609 359) ordinary shares of R1,00 each; and
- **110 188 222** (2014: 93 541 890) ‘A’ ordinary shares of R0,01 each.

The total issued preference share capital of the reporting date, consists of:

- **4 944 839** (2014: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0,01 each.
## Consolidated statement of financial position

**as at 31 December**

### Assets

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Cash, cash balances and balances with central banks</td>
<td>26 101</td>
<td>21 419</td>
</tr>
<tr>
<td>3</td>
<td>Investment securities</td>
<td>73 065</td>
<td>70 618</td>
</tr>
<tr>
<td>4</td>
<td>Loans and advances to banks</td>
<td>58 585</td>
<td>47 599</td>
</tr>
<tr>
<td>5</td>
<td>Trading portfolio assets</td>
<td>116 455</td>
<td>78 572</td>
</tr>
<tr>
<td>5</td>
<td>Hedging portfolio assets</td>
<td>2 216</td>
<td>2 335</td>
</tr>
<tr>
<td>6</td>
<td>Other assets</td>
<td>18 840</td>
<td>9 311</td>
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<tr>
<td>7</td>
<td>Current tax assets</td>
<td>410</td>
<td>17</td>
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<tr>
<td>8, 9</td>
<td>Non-current assets held for sale</td>
<td>109</td>
<td>250</td>
</tr>
<tr>
<td>10</td>
<td>Loans and advances to customers</td>
<td>602 002</td>
<td>554 521</td>
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<tr>
<td>10</td>
<td>Loans to Group companies</td>
<td>23 850</td>
<td>17 740</td>
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<tr>
<td>11</td>
<td>Investments in associates and joint ventures</td>
<td>962</td>
<td>839</td>
</tr>
<tr>
<td>12</td>
<td>Investment properties</td>
<td>518</td>
<td>252</td>
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<tr>
<td>13</td>
<td>Property and equipment</td>
<td>10 955</td>
<td>9 137</td>
</tr>
<tr>
<td>14</td>
<td>Goodwill and intangible assets</td>
<td>2 029</td>
<td>1 422</td>
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<tr>
<td>15</td>
<td>Deferred tax assets</td>
<td>44</td>
<td>29</td>
</tr>
</tbody>
</table>

Total assets: 936 141  814 061

### Liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Deposits from banks</td>
<td>61 026</td>
<td>54 104</td>
</tr>
<tr>
<td>17</td>
<td>Trading portfolio liabilities</td>
<td>87 567</td>
<td>44 580</td>
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<tr>
<td>17</td>
<td>Hedging portfolio liabilities</td>
<td>4 531</td>
<td>2 577</td>
</tr>
<tr>
<td>18</td>
<td>Other liabilities</td>
<td>18 306</td>
<td>13 809</td>
</tr>
<tr>
<td>19</td>
<td>Provisions</td>
<td>1 970</td>
<td>1 857</td>
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<td>20</td>
<td>Current tax liabilities</td>
<td>72</td>
<td>65</td>
</tr>
<tr>
<td>21</td>
<td>Deposits due to customers</td>
<td>560 650</td>
<td>521 656</td>
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<tr>
<td>21</td>
<td>Debt securities in issue</td>
<td>128 453</td>
<td>105 015</td>
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<tr>
<td>22</td>
<td>Borrowed funds</td>
<td>12 954</td>
<td>10 535</td>
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<tr>
<td>22</td>
<td>Deferred tax liabilities</td>
<td>115</td>
<td>937</td>
</tr>
</tbody>
</table>

Total liabilities: 875 644  755 135

### Equity

**Capital and reserves**

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Ordinary share capital</td>
<td>304</td>
<td>303</td>
</tr>
<tr>
<td>23</td>
<td>Ordinary share premium</td>
<td>21 455</td>
<td>16 465</td>
</tr>
<tr>
<td>23</td>
<td>Preference share capital</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>23</td>
<td>Preference share premium</td>
<td>4 643</td>
<td>4 643</td>
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<tr>
<td>24</td>
<td>Retained earnings</td>
<td>32 033</td>
<td>33 713</td>
</tr>
<tr>
<td>24</td>
<td>Other reserves</td>
<td>2 050</td>
<td>3 799</td>
</tr>
</tbody>
</table>

Non-controlling interest: 11  2

Total equity: 60 497  58 926

Total liabilities and equity: 936 141  814 061
## Consolidated statement of comprehensive income

for the reporting period ended 31 December

<table>
<thead>
<tr>
<th>Note</th>
<th>Bank</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and similar income</td>
<td>25</td>
<td>27 524</td>
<td>25 928</td>
</tr>
<tr>
<td>Interest expense and similar charges</td>
<td>26</td>
<td>(33 455)</td>
<td>(28 882)</td>
</tr>
<tr>
<td>Non-interest income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net and commission income</td>
<td></td>
<td>15 732</td>
<td>14 775</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>27</td>
<td>17 028</td>
<td>15 964</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>27</td>
<td>(1 296)</td>
<td>(1 189)</td>
</tr>
<tr>
<td>Gains and losses from banking and trading activities</td>
<td>28</td>
<td>2 097</td>
<td>2 698</td>
</tr>
<tr>
<td>Gains and losses from investment activities</td>
<td>29</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Other operating income</td>
<td>30</td>
<td>712</td>
<td>923</td>
</tr>
<tr>
<td>Total income</td>
<td></td>
<td>46 076</td>
<td>44 328</td>
</tr>
<tr>
<td>Impairment losses on loans and advances</td>
<td>9.1</td>
<td>(5 113)</td>
<td>(5 110)</td>
</tr>
<tr>
<td>Operating income before operating expenditure</td>
<td></td>
<td>40 963</td>
<td>39 218</td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>31</td>
<td>(26 390)</td>
<td>(25 309)</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>(999)</td>
<td>(1 186)</td>
</tr>
<tr>
<td>Other impairments</td>
<td>32</td>
<td>43</td>
<td>(418)</td>
</tr>
<tr>
<td>Indirect taxation</td>
<td>33</td>
<td>(1 042)</td>
<td>(768)</td>
</tr>
<tr>
<td>Share of post-tax results of associates and joint ventures</td>
<td>11.1</td>
<td>136</td>
<td>147</td>
</tr>
<tr>
<td>Operating profit before income tax</td>
<td></td>
<td>13 710</td>
<td>12 870</td>
</tr>
<tr>
<td>Taxation expense</td>
<td>34</td>
<td>(3 663)</td>
<td>(3 570)</td>
</tr>
<tr>
<td>Profit for the reporting period</td>
<td></td>
<td>10 047</td>
<td>9 300</td>
</tr>
</tbody>
</table>

### Profit attributable to:

<table>
<thead>
<tr>
<th></th>
<th>Ordinary equity holders</th>
<th>Non-controlling interest</th>
<th>Preference equity holders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9 726</td>
<td>—</td>
<td>321</td>
</tr>
<tr>
<td>Total</td>
<td>10 047</td>
<td>9 300</td>
<td></td>
</tr>
</tbody>
</table>

### Earnings per share:

<table>
<thead>
<tr>
<th></th>
<th>2015 cents</th>
<th>2014 cents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per ordinary share</td>
<td>2 422.4</td>
<td>2 324.9</td>
</tr>
<tr>
<td>Diluted earnings per ordinary share</td>
<td>2 422.4</td>
<td>2 324.9</td>
</tr>
</tbody>
</table>
Consolidated statement of comprehensive income

for the reporting period ended 31 December

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the reporting period</td>
<td>10 047</td>
<td>9 300</td>
</tr>
</tbody>
</table>

**Other comprehensive income**

<table>
<thead>
<tr>
<th>Items that will not be reclassified to profit or loss</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement in retirement benefit fund assets and liabilities</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Increase in retirement benefit surplus</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(3)</td>
<td>(1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items that are or may be subsequently reclassified to profit or loss</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movement in foreign currency translation reserve</td>
<td>126</td>
<td>(327)</td>
</tr>
<tr>
<td>Differences on translation of foreign operations</td>
<td>393</td>
<td>70</td>
</tr>
<tr>
<td>Gains released to profit or loss</td>
<td>(267)</td>
<td>(397)</td>
</tr>
<tr>
<td>Movement in cash flow hedging reserve</td>
<td>(2 222)</td>
<td>(253)</td>
</tr>
<tr>
<td>Fair value (losses)/gains arising during the reporting period</td>
<td>(2 028)</td>
<td>1 092</td>
</tr>
<tr>
<td>Amount removed from other comprehensive income and recognised in profit or loss</td>
<td>(1 058)</td>
<td>(1 443)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>864</td>
<td>98</td>
</tr>
<tr>
<td>Movement in available-for-sale reserve</td>
<td>(333)</td>
<td>(37)</td>
</tr>
<tr>
<td>Fair value losses arising during the reporting period</td>
<td>(678)</td>
<td>(98)</td>
</tr>
<tr>
<td>Release to profit or loss</td>
<td>210</td>
<td>44</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>135</td>
<td>17</td>
</tr>
</tbody>
</table>

Total comprehensive income for the reporting period                   | 7 627   | 8 685   |

Total comprehensive income attributable to:

| Ordinary equity holders | 7 306 | 8 380 |
| Preference equity holders | 321   | 305   |

Total                                                              | 7 627   | 8 685   |
### Consolidated statement of changes in equity
for the reporting period ended 31 December 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>Number of ordinary shares '000</th>
<th>Share capital Rm</th>
<th>Share premium Rm</th>
<th>Preference share capital Rm</th>
<th>Preference share premium Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>396 151</td>
<td>303</td>
<td>16 465</td>
<td>1</td>
<td>4 643</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Balance at the beginning of the reporting period

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of ordinary shares '000</th>
<th>Share capital Rm</th>
<th>Share premium Rm</th>
<th>Preference share capital Rm</th>
<th>Preference share premium Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the reporting period</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Profit for the reporting period</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid during the reporting period</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Shares issued</td>
<td>16 647</td>
<td>1</td>
<td>5 000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements</td>
<td>—</td>
<td>—</td>
<td>(10)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Movement in share-based payment reserve</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Value of employee services</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Conversion from cash-settled to equity-settled schemes</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Share of post-tax results of associates and joint ventures</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Disposal of interest in subsidiary</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td>—</td>
<td>—</td>
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<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at the end of the reporting period</td>
<td>412 798</td>
<td>304</td>
<td>21 455</td>
<td>1</td>
<td>4 643</td>
</tr>
</tbody>
</table>

### Note

23

<table>
<thead>
<tr>
<th>Note</th>
<th>Number of ordinary shares '000</th>
<th>Share capital Rm</th>
<th>Share premium Rm</th>
<th>Preference share capital Rm</th>
<th>Preference share premium Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>383 117</td>
<td>303</td>
<td>13 465</td>
<td>1</td>
<td>4 643</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Balance at the beginning of the reporting period

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of ordinary shares '000</th>
<th>Share capital Rm</th>
<th>Share premium Rm</th>
<th>Preference share capital Rm</th>
<th>Preference share premium Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the reporting period</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Profit for the reporting period</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid during the reporting period</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Shares issued</td>
<td>13 034</td>
<td>—</td>
<td>3 000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Movement in share-based payment reserve</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Value of employee services</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Conversion from cash-settled to equity-settled schemes</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Share of post-tax results of associates and joint ventures</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Disposal of a non-core subsidiary</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at the end of the reporting period</td>
<td>396 151</td>
<td>303</td>
<td>16 465</td>
<td>1</td>
<td>4 643</td>
</tr>
</tbody>
</table>

### Note

23

Notes

All movements are reflected net of taxation, refer to note 15.

1. This includes ordinary shares and 'A' ordinary shares.
2. This movement relates to certain subsidiaries being deregistered and the Bank’s equity being adjusted accordingly.
## Consolidated statement of changes in equity

for the reporting period ended 31 December 2015

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained earnings</td>
<td>Total other reserves</td>
<td>Available-for-sale reserve</td>
</tr>
<tr>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>33 713</td>
<td>3 799</td>
<td>937</td>
</tr>
<tr>
<td>10 056</td>
<td>(2 429)</td>
<td>(333)</td>
</tr>
<tr>
<td>10 047</td>
<td>9</td>
<td>(2 429)</td>
</tr>
<tr>
<td>(11 437)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(154)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>209</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>372</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>(37)</td>
<td>—</td>
</tr>
<tr>
<td>(136)</td>
<td>(9)</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>136</td>
<td>—</td>
</tr>
<tr>
<td>32 033</td>
<td>2 050</td>
<td>604</td>
</tr>
</tbody>
</table>

| Retained earnings | Total other reserves | Available-for-sale reserve | Cash flow hedging reserve | Foreign currency translation reserve | Capital reserve | Share-based payment reserve | Associates’ and joint ventures’ reserve | Total equity attributable to equity holders | Non-controlling interest – ordinary shares | Total equity |
| Rm | Rm | Rm | Rm | Rm | Rm | Rm | Rm | Rm | Rm | Rm |
| 34 506 | 4 291 | 974 | 604 | 600 | 1 422 | 25 | 666 | 57 209 | 50 | 57 259 |
| 9 302 | (617) | (37) | (253) | (327) | — | — | — | 8 685 | — | 8 685 |
| 9 300 | — | — | — | — | — | — | — | 9 300 | — | 9 300 |
| 2 | (615) | (37) | (253) | (327) | — | — | — | (615) | — | (615) |
| (9 940) | — | — | — | — | — | — | — | (9 940) | — | (9 940) |
| — | — | — | — | — | — | — | — | 3 000 | — | 3 000 |
| (8) | — | — | — | — | — | (22) | — | (8) | — | (8) |
| — | (22) | — | — | — | — | (22) | — | (22) | — | (22) |
| (147) | 147 | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | (48) |
| 33 713 | 3 799 | 937 | 351 | 273 | 1 422 | 3 | 813 | 58 924 | 2 | 58 926 |

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Annual consolidated and separate financial statements 31 December 2015

15
Consolidated statement of cash flows
for the reporting period ended 31 December

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received(^1)</td>
<td>60 300</td>
<td>52 250</td>
</tr>
<tr>
<td>Interest paid(^1)</td>
<td>(35 192)</td>
<td>(29 992)</td>
</tr>
<tr>
<td>Fees and commission received(^1)</td>
<td>17 028</td>
<td>15 964</td>
</tr>
<tr>
<td>Fees and commission paid(^1)</td>
<td>(1 296)</td>
<td>(1 189)</td>
</tr>
<tr>
<td>Net trading and other expenses</td>
<td>(134)</td>
<td>5 936</td>
</tr>
<tr>
<td>Cash payments to employees and suppliers</td>
<td>(23 909)</td>
<td>(23 391)</td>
</tr>
<tr>
<td>Dividends received from banking and trading activities</td>
<td>80</td>
<td>75</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(3 908)</td>
<td>(3 532)</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities before changes in operating assets and liabilities</strong></td>
<td>12 969</td>
<td>16 121</td>
</tr>
<tr>
<td>Net increase in trading and hedging portfolio assets</td>
<td>(42 299)</td>
<td>(512)</td>
</tr>
<tr>
<td>Net increase in loans and advances to customers</td>
<td>(52 995)</td>
<td>(24 128)</td>
</tr>
<tr>
<td>Net increase in investment securities</td>
<td>(3 037)</td>
<td>(1 539)</td>
</tr>
<tr>
<td>Net increase in other assets</td>
<td>(27 230)</td>
<td>(915)</td>
</tr>
<tr>
<td>Net increase/(decrease) in trading and hedging portfolio liabilities</td>
<td>45 082</td>
<td>(5 850)</td>
</tr>
<tr>
<td>Net increase in amounts due to customers and banks</td>
<td>52 803</td>
<td>19 423</td>
</tr>
<tr>
<td>Net increase in other liabilities</td>
<td>26 762</td>
<td>10 259</td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td>12 055</td>
<td>12 859</td>
</tr>
</tbody>
</table>

|                                | Bank | Note |
|                                | 2015 | 2014 |
| **Cash flow from investing activities** |      |      |
| Proceeds from disposal of non-current assets held for sale | 7 | 141 |
| Purchase of investment properties | 12 | (2) |
| Proceeds from disposal of intangible assets | 14 | 32 |
| Purchase of property and equipment | 13 | (3 094) |
| Proceeds from disposal of property and equipment | 13 | 152 |
| Purchase of intangible assets | 14 | (827) |
| Dividends received from investments in associates and joint ventures | 11 | 14 |
| Dividends received from investment activities | 4 | 3 |
| Acquisition and disposal of businesses and other similar transactions, net of cash | 50 | (14) |
| **Net cash utilised from investing activities** | (3 594) | (2 179) |

|                                | Bank | Note |
|                                | 2015 | 2014 |
| **Cash flow from financing activities** |      |      |
| Issue of ordinary shares       | 5 000 | 3 000 |
| Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements | (164) | (8) |
| Proceeds from borrowed funds   | 4 500 | 500 |
| Repayment of borrowed funds    | (2 000) | (4 725) |
| Dividends paid                 | (11 437) | (9 940) |
| **Net cash utilised in financing activities** | (4 101) | (11 173) |
| Net increase/(decrease) in cash and cash equivalents | 4 360 | (493) |
| Cash and cash equivalents at the beginning of the reporting period | 10 014 | 10 507 |
| **Cash and cash equivalents at the end of the reporting period** | 48 | 14 374 |

**Note**

\(^1\) In the current year, the Bank decided to disclose interest received and interest paid separate from fee and commission received and paid. These lines were previously disclosed together as "Interest, fee and commission income" and "Interest, fee and commission expense".
Accounting policies
for the reporting period ended 31 December

1. **Summary of significant accounting policies**

   The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies comply with International Financial Reporting Standards ("IFRS"), interpretations issued by the IFRS Interpretations Committee ("IFRIC"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act.

   Refer to note 1.20 for new standards and interpretations not yet adopted.

   **Standards, amendments to standards and circulars mandatory for the first time for the current reporting period**

   **Defined Benefit Plans: Employee Contributions (amendments to IAS 19 Employee Benefits ("IAS 19"))**

   These amendments clarify the requirements for how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, they permit a practical expedient if the amount of the contribution is independent of the number of years of an employee’s service.

   These amendments have no impact on the Bank, as employee contributions are independent of the number of years of service of an employee.


   These consist of non-urgent but necessary clarifications and amendments to the following standards of IFRS:

   - IFRS 2 Share-based Payment
   - IFRS 3 Business Combinations
   - IFRS 8 Operating Segments
   - IFRS 13 Fair Value Measurement
   - IAS 16 Property, Plant and Equipment
   - IAS 24 Related Parties
   - IAS 38 Intangible Assets
   - IAS 40 Investment Property

   The clarifications and amendments did not have a significant impact on the financial statements of the Bank as these are already accounted for in terms of these requirements.

1.1 **Basis of presentation**

   The principal accounting policies applied in the preparation of the consolidated and separate financial statements are set out as follows. These policies have been consistently applied. The consolidated and separate financial statements have been prepared under the historical cost convention modified to include the fair valuation of investment property and particular financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in millions of rand ("Rm"), the presentation currency of the Bank.

   A description of the accounting estimates and judgements that were critical to preparing specific financial statement items as well as the processes employed to do so, are set out as follows:
1. **Summary of significant accounting policies (continued)**

1.2 **Process of determination, and use, of estimates, assumptions and judgements**

1.2.1 **Approach to credit risk and impairment of loans and advances**

The Bank has an established governance process with respect to its approach to credit risk and any resultant impairment of loans and advances. The governance process includes the existence of Retail & Business Bank Models Forum (“RBBMF”) and the Corporate & Investment Bank Models Committee (“CIBMC”), whose remit includes:

- the development, implementation and evaluation of risk and impairment models;
- periodic assessment (at least annually) of the accuracy of the models against actual results; and
- approval of new models or changes to models, in line with the model validation framework.

The aforementioned committees also approve post model adjustments as well as any capital adjustments applied to models. Furthermore, model-related adjustments and changes that result in a change in impairment of over R69m must be approved by the Barclays Africa Group Chief Risk Officer. Retail impairment allowances are subject to quarterly impairment adequacy reviews and approval by the Retail Impairment Adequacy Forum. Wholesale impairment allowances are subject to monthly impairment adequacy reviews and approval by the Wholesale Governance Forum.

The consideration of credit risk is a fundamental process for the Bank, as it is ultimately a driver included in the determination of impairment losses. This section describes the process utilised in determining the assumptions used in estimating impairment allowances.

**Approach to credit modelling/internal ratings**

The principal objective of credit measurement is to produce the most accurate possible quantitative assessment of credit risk to which the Bank is exposed from the level of individual facilities up to the total portfolio level. Integral to this is the calculation of internal ratings that is used in numerous aspects of credit risk management and in the calculation of regulatory capital (“RC”) and economic capital (“EC”). The key building blocks of this process are:

- probability of default (“PD”);
- exposure at default (“EAD”);
- loss given default (“LGD”); and
- maturity.

PD measures the likelihood of a customer defaulting on its obligations within the next 12 months and is a primary component of the internal risk rating calculated for all customers.

EAD denotes the total amount that is expected to be outstanding from a particular customer at the time of default.

LGD measures the loss expected on a particular credit facility in the event of default and recognises credit risk mitigation, such as collateral or credit risk derivatives.

These parameters are used in a variety of applications that measure credit risk across the entire portfolio and can be calculated to represent different aspects of the credit cycle:

- PD estimates can be calculated on a through-the-cycle (“TTC”) basis, reflecting the predicted default frequency in an average 12-month period across the credit cycle, or on a point-in-time (“PIT”) basis, reflecting the predicted default frequency in the next 12 months.
- EAD and LGD estimates can be calculated as downturn measures, reflecting behaviour observed under stressed economic conditions, or as business-as-usual measures, reflecting behaviour under actual conditions.

These parameters can be used in different combinations for a wide range of credit risk measurement and management. Internal ratings are used for the following purposes:

- Credit approval: PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and retail portfolios, PD models are used to direct applications to an appropriate credit sanctioning level.
- Credit grading: to provide a common measure of risk across the Bank, wholesale and retail credit grading employs a 21-point scale of default probabilities.
- Risk-reward and pricing: PD, EAD and LGD metrics are used to assess the profitability of deals and portfolios and to allow for risk-adjusted pricing and strategy decisions.
- Risk appetite: measures of expected loss (“EL”) and the potential volatility of loss are used in the Bank’s risk appetite framework.
- Impairment calculation: under IAS 39, many of the collective impairment estimates incorporate the use of the Bank’s PD and LGD models, adjusted as necessary.
- Collections and recoveries: model outputs are used to identify segments of the portfolio where collection and recovery efforts should be prioritised.
- EC calculations: most EC calculations use the same PD and EAD inputs as the RC process. The EC process also uses the same underlying LGD model outputs as used in RC calculations, but does not incorporate the same economic downturn adjustment used in RC calculations.
- Risk management information: Bank Risk and the business units generate risk reports to inform senior management on issues such as business performance, risk appetite and consumption of EC. Model outputs are used as key indicators in these reports.
Accounting policies
for the reporting period ended 31 December

1. **Summary of significant accounting policies** (continued)

1.2 **Process of determination, and use, of estimates, assumptions and judgements** (continued)

**Retail portfolio**

Ratings assigned across each retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at point of application and updated monthly thereafter and used in decisions concerning underwriting, current/delinquency and assignment of accounts to risk grades used to calculate regulatory capital and impairments. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

- Internal risk estimates of PD, EAD and LGD are grounded in historical experience, incorporating all relevant material and available data, information and methods. Both the historical observation periods and default definitions used are consistent with regulatory requirements.
- For each product, PDs are assigned at account level. They are based on through the cycle estimates whereby point in time PIT PD estimates are scaled using the variable scalar method to the default rate observed for each pool across the economic cycle.
- For each product, EADs are assigned to each account based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.
- LGDs are estimated for each product and assigned at account level, based on the LGD pool to which the account has been assigned. Calibration data on historically defaulted accounts includes observed EADs, recovery strategies, cure and write-off rates. The models also make use of suitable risk drivers such as loan-to-value (“LTV”), which are updated monthly.
- The existing estimation methodology has been enhanced with the following models having been approved by the regulator for implementation during 2016. Approved models include personal loans, credit card, structured mortgages and the AVAF portfolio models.

The enhancement to methodology includes:

- calculation of downturn and long run default weighted LGD estimates as required by regulation;
- introduction of a suitable margin of conservatism to the calculation of PD, EAD and LGD estimates;
- introduction of a comprehensive validation framework for all LGD models; and
- alignment of IFRS9 and regulatory modelling methodologies.

- To ensure the effectiveness of the validation process, an independent validation is performed annually. Models are approved by the RBB BU CRO supported by the RB8 Models forum (“RBBMF”) and the most material models require approval by the BAGL Models Committee (“MC”).
- Models are independently validated on an annual basis and when new models have been developed or changes occur to models. In addition, a process is in place to perform post model adjustments as needed or when management applies its discretion.

**Wholesale portfolio**

The rating process relies both on internally developed PD rating models and vendor provided solutions. While the rating and credit decision making process in the retail portfolio is largely automated, this process in the wholesale portfolio relies on quantitative and qualitative assessments on a transactional level. Information used in the calculation of customer ratings includes:

- financial statements;
- projected cash flows;
- equity price information;
- external rating agency grades; and
- behavioural scorecards.

Internal LGD estimates depend on the key drivers of recovery such as collateral value, seniority and costs involved as part of the recovery process, while the EAD models aim to replicate the expected utilisation of a customer’s facility should a default occur.

PD measures based on behavioural scores and equity prices are updated monthly for credit risk management, impairment and capital calculation purposes. Other PD models that rely on more static information are updated at least quarterly in a conventional environment or as and when extraordinary circumstances warrant a review of the customer’s credit standing.

To ensure the effectiveness of the validation process, an independent review is performed annually. Models are approved at the RBBMF and the Corporate and Investment Bank Models Committee (“CIBMC”), and the most material models require approval by the MC.

Models are independently reviewed on an annual basis and when new models have been developed or changes occur to models. In addition, a process is in place to perform post model adjustments as needed or when management applies its discretion.

**Assessment of credit risk**

The assessment of credit risk relies heavily on quantitative models and tools which, to a large degree, have been developed internally and are supplemented by vendor solutions. The following sections provide an overview of the aforesaid concepts and their use in the assessment of credit risk across the Bank’s portfolios.
1. **Summary of significant accounting policies (continued)**

1.2 **Process of determination, and use, of estimates, assumptions and judgements (continued)**

### Probability of default

The Bank uses two types of PDs, namely:
- TTC PD, which reflects the Bank’s assessment of the borrower’s long-run average propensity to default in the next year; and
- PIT PD, which reflects current economic, industry and borrower circumstances.

Both types of PDs are used extensively in the Bank’s decision-making processes and several types of rating approaches are employed across the Bank.

For communication and comparison purposes, the Bank’s 21 default grades (“DG”), which is the Bank’s internal master rating scale were mapped to the South African Reserve Bank’s (“SARB”) 26 grade PD scale used for regulatory reporting purposes.

DG grading represents a TTC view of the distribution of the book at a specific point in time. An indicative mapping of the DG buckets to the equivalent international rating agency and regulatory PD bands are described as follows:

#### Default grade definitions

- **DG 1 – 11:** assets falling within these DG buckets are regarded as ‘investment grade’ and, when converted to a rating agency equivalent, correspond to a BB rating and better.
- **DG 12 – 19:** financial assets in these grades typically require more detailed management attention where clear evidence of financial deterioration or weakness exists. Assets in this category, although currently protected, are potentially weaker credits. These assets contain some credit deficiencies.
- **DG 20 – 21:** the PD of financial assets in these grades have deteriorated to such an extent that they are included for regular review. Assets so classified must have well defined weaknesses that exacerbate the PD. These assets are characterised by the distinct possibility that the borrower will default, and should the collateral pledged be insufficient to cover the asset, the Bank will sustain some loss when default occurs.

#### Exposure at default

We calculate these estimates for each facility using models incorporating internal and external default data as well as the experience of credit experts in relation to particular products or customer groups.

#### Loss given default

LGD estimates are calculated as a percentage of EAD using models based on internal and external loss data and the judgement of credit experts, and are primarily driven by the type and value of collateral held. The Bank’s LGD estimates are modified to distinguish between expected losses over the course of an economic cycle and loss estimates during periods of economic stress (downturn LGD).

### Approach to impairment of loans and advances

The Bank’s accounting policy for losses arising from the impairment of loans and advances is described in note 1.7.6. Loan impairment allowances represent management’s best estimate of losses incurred in the loan portfolios at the reporting date.

Management is required to exercise judgement in making assumptions and estimations when calculating loan impairment allowances on both individually and collectively assessed loans and advances.

For the purpose of a collective evaluation of impairment, financial assets are allocated to groups, based on similar risk characteristics, asset type, industry, geographical location, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for such groups of assets, being indicative of the counterparty’s ability to pay amounts due under the contractual terms of the assets.

The Bank uses two alternative methods to calculate collective impairment allowances on homogenous groups of loans that are not considered individually significant:
- When appropriate empirical information is available, the Bank uses roll-rate methodology. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the likelihood that loans will progress through the various stages of delinquency and ultimately prove irrecoverable. The estimated loss is the difference between the present value of expected future cash flows discounted at the original effective interest rate of the portfolio, and the carrying amount of the portfolio.
1. **Summary of significant accounting policies (continued)**

1.2 **Process of determination, and use, of estimates, assumptions and judgements (continued)**

- In other cases, when the portfolio size is small or when information is insufficient or not reliable enough to adopt a roll-rate methodology, the Bank adopts a formulaic approach which allocates progressively higher percentage loss rates the longer a customer’s loan is overdue.

Loss rates are based on historical experience and are supplemented by management judgement.

Both methodologies are subject to estimation uncertainty, in part because it is not practicable to identify losses on an individual loan basis because of the large number of individually insignificant loans in the portfolio.

An emergence period concept is applied to ensure that only impairments that exist at the reporting date are captured. The emergence period is defined as the time lapse between the occurrence of a trigger event (unidentified impairment) and the impairment being identified at an individual account level (identified impairment). The emergence periods, based on actual experience, vary across businesses and are reviewed annually. The PD for each exposure class is based on historical default experience, scaled for the emergence period relevant to the exposure class. This PD is then applied to all exposures in respect of which no identified impairments have been recognised.

The impairment allowance also takes into account the expected severity of loss at default, or the LGD, which is the amount outstanding that is written off and is therefore not recoverable.

Recovery varies by product and depends, for example, on the level of security held in relation to each loan as well as the Bank’s position relative to other claimants. Two key aspects in the cash flow calculation are the valuation of all security and the timing of all asset realisations, after allowing for all collection and recovery costs. These characteristics are relevant to the estimation of future cash flows for such groups of assets, being indicative of the counterparty’s ability to pay amounts due under the contractual terms of the assets.

LGD estimates are based on historical loss experience. In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within each portfolio. In certain circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the reporting date, for example, where there have been changes in economic, regulatory or behavioural conditions such that the most recent trends in the portfolio risk factors are not fully reflected in the statistical models. Historical loss experience data is then adjusted to add current economic conditions into the data set, which conditions did not exist at the time of loss experience and/or to remove the effects of conditions in the historical period that do not currently exist.

This key area of judgement is subject to uncertainty and is highly sensitive to factors such as loan portfolio growth, product mix, unemployment rates, bankruptcy trends, loan product features, economic conditions such as national and local trends in housing markets, the level of interest rates, account management policies and practices, changes in laws and regulations, and other factors that can affect customer patterns. These judgement areas are included in models which are used to calculate impairments. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. For example, roll-rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure they are appropriate.

The replacement of IAS 39 with IFRS 9 Financial Instruments (“IFRS 9”) will have a significant impact on the Bank’s financial results, the biggest impact being the calculation of impairments. IFRS 9 will replace the current incurred loss model with the requirement to calculate expected losses. Refer to note 1.20.

**Identified impairments on financial assets**

A retail identified impairment is triggered when a contractual payment is missed. This is not the same as the non-performing definition which applies to loans in a legal process or more than three payments in arrears. The impairment calculation is based on a roll-rate approach where the percentage of assets moving from the initial delinquency state to default is derived from statistical probabilities, based on experience.

The PD is calculated within a certain outcome period. The outcome period is defined as the timeframe within which assets default. Recovery amounts and contractual interest rates are calculated using a weighted average for the relevant portfolio.

In the retail portfolio, the identified impairment is calculated on a collective basis. For accounting purposes, these accounts are considered to be identified collective impairments.

In the wholesale portfolio, the identified impairment is calculated on accounts reflected on management’s early watch lists triggered by a specific event, such as the conclusion of insolvency proceedings or other formal recovery actions, making it possible to quantify the extent of the advance that is beyond a realistic prospect of recovery. Nonetheless, impaired loans and advances are reviewed at least quarterly, ensuring that irrecoverable loans and advances are written off in a timely and systematic way and in compliance with local regulations.

Assets are only written off once all necessary procedures have been completed and the amount of loss has been determined. Recoveries of amounts previously written off are reversed and accordingly decrease the amount of the reported impairment charge in the statement of comprehensive income. Refer to Notes 9 and 56.2.
1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use, of estimates, assumptions and judgements (continued)

1.2.2 Goodwill impairment

Management has to consider at least annually whether the current carrying value of goodwill is impaired. This calculation is based on discounting expected risk adjusted pre-tax cash flows at a risk adjusted pre-tax interest rate appropriate to the operating unit, the determination of which requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available, normally capped at five years, and to assumptions regarding the growth rate, although this is usually capped at inflation growth where higher growth is forecasted by the cash-generating unit (“CGU”). While forecasts are compared with actual performance and external sources of data, expected cash flows naturally reflect management’s best estimate of future performance.

The recoverable amount in the aforementioned calculation is based on the value in use for the CGU.

The review of goodwill impairment represents management’s best estimate of the following factors:

- The future cash flows of the CGUs are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data; however, the cash flow forecasts necessarily and appropriately reflect management’s view of future business prospects at the time of the assessment.

The growth rate in the impairment calculation is 3% (2014: 3%) and the projected cash flow period is five years (2014: Five years).

- The discount rate used to discount the future expected cash flows is based on the Bank’s weighted average cost of capital. The cost of capital percentage is generally derived from a capital asset pricing model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free rate and a premium to reflect the inherent risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions outside of management’s control and are therefore established on the basis of significant management judgement and are subject to uncertainty.

The discount rate used in the impairment calculations is 12.74% (2014: 12.33%).

Note 14 includes details of the amount recognised by the Bank as goodwill.

1.2.3 Fair value measurements

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are available, it may be inappropriate to compare the Bank’s fair value information to independent market or other financial institutions. Assumption changes and different valuation methodologies can have a significant impact on fair values which are based on unobservable inputs.

Valuation inputs

IFRS 13 requires an entity to classify fair values measured and/or disclosed according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined as follows:

Quoted market prices – Level 1

Fair values are classified as Level 1 if they have been determined using observable prices in an active market. Such fair values are determined with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm’s length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Fair values classified as Level 2 have been determined using models for which inputs are observable in an active market.

A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.
1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use, of estimates, assumptions and judgements (continued)

Valuation technique using significant unobservable inputs – Level 3

Fair values are classified as Level 3 if their determination incorporates significant inputs that are not based on observable market data (unobservable inputs). An input is deemed significant if it is shown to contribute more than 10% to the fair value of an item. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Fair value measurement and valuation processes

Financial assets and financial liabilities

The Bank has an established control framework with respect to the measurement of fair values. The framework includes a Valuation Committee and an Independent Valuation Control team ("IVC"), which is independent from the front office. The Valuation Committee, which comprises representatives from senior management, will formally approve valuation policies and any changes to valuation methodologies. Significant valuation issues are reported to the GACC. The Valuation Committee is responsible for overseeing the valuation control process and will therefore consider the appropriateness of valuation techniques and inputs for fair value measurement.

The IVC independently verifies the results of trading and investment operations and all significant fair value measurements. They source independent data from external independent parties, as well as internal risk areas when performing independent price verification for all financial instruments held at fair value. They also assess and document the inputs obtained from external independent sources to measure the fair value which supports conclusions that valuations are performed in accordance with IFRS and internal valuation policies.

Investment properties

The fair value of investment properties is determined based on the most appropriate methodology applicable to the specific property. Methodologies include the market comparable approach that reflects recent transaction prices for similar properties, discounted cash flows and income capitalisation methodologies. In estimating the fair value of the properties, the highest and best use of the properties is taken into account. Where possible, the fair value of the Bank’s investment properties is determined through valuations performed by external independent valuers. When the Bank’s internal valuations are different to that of the external independent valuers, detailed procedures are performed to substantiate the differences, whereby the IVC verifies the procedures performed by front office and considers the appropriateness of any differences to external independent valuations.

Judgemental inputs on valuation of principal instruments

The following summary sets out the principal instruments whose valuation may involve judgemental inputs:

Debt securities and treasury and other eligible bills

These instruments are valued, based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined by reference to quoted market prices for similar instruments or, in the case of certain mortgage-backed securities, valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

Equity instruments

Equity instruments are valued, based on quoted market prices from an exchange, dealer, broker, industry group or pricing service, where available. Where unavailable, fair value is determined with reference to quoted market prices for similar instruments or by using valuation techniques using inputs derived from observable market data, and, where relevant, assumptions in respect of unobservable inputs.

Also included in equity instruments are non-public investments, which include investments in venture capital organisations. The fair value of these investments is determined using appropriate valuation methodologies which, dependent on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies and price:earnings comparisons. For each investment, the relevant methodology is applied consistently over time.

Derivative contracts can be exchange-traded or traded Over The Counter ("OTC"). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit spreads, equity prices and commodity prices or indices on these instruments. Fair values of derivatives are obtained from quoted market prices, dealer price quotations, discounted cash flow and pricing models.
Accounting policies
for the reporting period ended 31 December

1. Summary of significant accounting policies (continued)

1.2 Process of determination, and use, of estimates, assumptions and judgements (continued)

Loans and advances
The fair value of loans and advances to banks and customers is determined by discounting contractual cash flows. Discount factors are determined using the relevant forward base rates (as at valuation date) plus the originally priced spread. Where a significant change in credit risk has occurred, an updated spread is used to reflect valuation date pricing. Behavioural cash flow profiles, instead of contractual cash flow profiles, are used to determine expected cash flows where contractual cash flow profiles would provide an inaccurate fair value.

Deposits, debt securities in issue and borrowed funds
Deposits, debt securities in issue and borrowed funds are valued using discounted cash flow models, applying rates currently offered for issuances with similar characteristics. Where these instruments include embedded derivatives, the embedded derivative component is valued using the methodology for derivatives.

The fair value adjustments on amortised cost financial liabilities held in a fair value hedging relationship are taken through profit and loss in the statement of comprehensive income.

The fair value of amortised cost deposits repayable on demand is considered to be equal to their carrying value. For other financial liabilities at amortised cost the disclosed fair value approximates the carrying value because the instruments are short-term in nature or have interest rates that reprice frequently.

Fair value adjustments
The main valuation adjustments required to arrive at a fair value are described as follows:

Bid-offer valuation adjustments
For assets and liabilities where the Bank is not a market maker, mid prices are adjusted to bid and offer prices respectively, unless the relevant mid prices are reflective of the appropriate exit price as a practical expedient given the nature of the underlying instruments. Bid-offer adjustments reflect expected close out strategy and, for derivatives, the fact that they are managed on a portfolio basis. The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with the hedging strategy. Bid-offer levels are derived from market sources, such as broker data. For those assets and liabilities where the Bank is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets), the mid-price is used, since the bid-offer spread does not represent the transaction cost.

Uncollateralised derivative adjustments
A fair value adjustment is incorporated into uncollateralised derivative valuations to reflect the impact on fair value of counterparty credit risk, as well as the cost of funding across all asset classes.

Model valuation adjustments
Valuation models are reviewed under the Bank’s model governance framework. This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew). Where necessary, fair value adjustments will be applied to take these factors into account. Model valuation adjustments are dependent on the size of portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors. All models and model valuation adjustments are subject to review on at least an annual basis.
## Accounting policies

for the reporting period ended 31 December

1. **Summary of significant accounting policies** *(continued)*

1.2 **Process of determination, and use, of estimates, assumptions and judgements** *(continued)*

### Measurement of assets and liabilities at Level 2

The following table presents information about the valuation techniques and significant observable inputs used in measuring assets and liabilities categorised as Level 2 in the fair value hierarchy:

<table>
<thead>
<tr>
<th>Category of asset/liability</th>
<th>Valuation techniques applied</th>
<th>Significant observable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>Discounted cash flow models</td>
<td>Underlying price of market traded instruments and/or interest rates</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>Discounted cash flow models</td>
<td>Interest rates and/or money market curves</td>
</tr>
<tr>
<td>Trading and hedging portfolio assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments</td>
<td>Discounted cash flow models</td>
<td>Underlying price of market traded instruments and/or interest rates</td>
</tr>
<tr>
<td>Derivative assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity derivatives</td>
<td>Discounted cash flow, option pricing, futures pricing, Exchange Traded Fund (“ETF”) models</td>
<td>Spot prices of physicals/futures, interest rates and/or volatility</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>Discounted cash flow, credit default swap models</td>
<td>Interest rates, recovery rates, credit spreads and/or quanto ratio</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>Discounted cash flow, option pricing, futures pricing models</td>
<td>Spot prices, interest rates, volatility and/or dividend streams</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>Discounted cash flow and/or option pricing models</td>
<td>Spot prices, interest rates and/or volatility</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>Discounted cash flow and/or option pricing models</td>
<td>Interest rate curves, repurchase agreement curves, money market curves and/or volatility</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>Net asset value</td>
<td>Underlying price of market traded instruments</td>
</tr>
<tr>
<td>Money market assets</td>
<td>Discounted cash flow models</td>
<td>Money market and/or interest rates</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>Discounted cash flow models</td>
<td>Interest rates and/or money market curves</td>
</tr>
<tr>
<td>Investment securities</td>
<td>Listed equity: market bid price Other items: discounted cash flow models</td>
<td>Underlying price of market traded instruments and Interest rate curves</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>Discounted cash flow models</td>
<td>Interest rates and/or money market curves</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>Discounted cash flow models</td>
<td>Interest rates and/or money market curves</td>
</tr>
<tr>
<td>Debt securities in issue and other liabilities</td>
<td>Discounted cash flow models</td>
<td>Underlying price of market traded instruments and/or interest rate curves</td>
</tr>
</tbody>
</table>
### Accounting policies

#### for the reporting period ended 31 December

1. **Summary of significant accounting policies** *(continued)*

1.2 **Process of determination, and use of estimates, assumptions and judgements** *(continued)*

#### Measurement of assets and liabilities at Level 3

The following table presents information about the valuation techniques and significant unobservable inputs used in measuring assets and liabilities categorised as Level 3 in the fair value hierarchy:

<table>
<thead>
<tr>
<th>Category of asset/liability</th>
<th>Valuation techniques applied</th>
<th>Significant unobservable inputs</th>
<th>2015 Range of estimates utilised for the unobservable inputs</th>
<th>2014 Range of estimates utilised for the unobservable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>Discounted cash flow and/or dividend yield models</td>
<td>Credit spreads</td>
<td>0.96% to 3.99%</td>
<td>0.96% to 3.99%</td>
</tr>
<tr>
<td>Investment securities</td>
<td>Discounted cash flow models, third-party valuations, earnings multiples and/or income capitalisation valuations</td>
<td>Risk adjusted yield curves, future earnings, marketability discounts and/or comparator multiples</td>
<td>Discount rates between 8% and 11.5%, comparator multiples between 5 and 10.5</td>
<td>Discount rates between 9.1% and 17.9%, comparator multiples between 5 and 6</td>
</tr>
<tr>
<td>Trading and hedging portfolio assets and liabilities</td>
<td>Discount cash flow models</td>
<td>Credit spreads</td>
<td>0.9% to 3.5%</td>
<td>0.9% to 3.5%</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>Discount cash flow models</td>
<td>Credit spreads</td>
<td>0.0% to 23.64%</td>
<td>0% to 13.45%</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>Discounted cash flow and/or credit default swap (hazard rate) models</td>
<td>Credit spreads, recovery rates and/or quanto ratio</td>
<td>0.9% to 3.5%</td>
<td>0.9% to 3.5%</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>Discounted cash flow models, volatility and/or dividend streams (greater than 3 years)</td>
<td>Volatility and/or dividend streams (greater than 3 years)</td>
<td>17.82% to 67.71%</td>
<td>18.16% to 48.20%</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>Discounted cash flow, option pricing and/or futures pricing models</td>
<td>Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads</td>
<td>(10.00%) to 10.50%</td>
<td>(10.74%) to 6.53%</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>Discounted cash flow and/or option pricing models</td>
<td>Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads</td>
<td>0.58% to 4.24%</td>
<td>(1.56%) to 10.04%</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>Discounted cash flow and/or option pricing models</td>
<td>Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads</td>
<td>0.58% to 4.24%</td>
<td>(1.56%) to 10.04%</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>Discounted cash flow models, Barclays Africa Group Limited’s funding spreads (greater than 5 years)</td>
<td>Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads</td>
<td>1.52% to 2.15%</td>
<td>0.85% to 1.2%</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>Discounted cash flow models, Funding curves (greater than 5 years)</td>
<td>Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads</td>
<td>(0.20%) to 3.35%</td>
<td>1.28% to 1.38%</td>
</tr>
<tr>
<td>Investment properties</td>
<td>Discounted cash flow models, Estimates of periods in which rental units will be disposed of</td>
<td>Real yield curves (greater than 1 year), repurchase agreement curves (greater than 1 year), funding spreads</td>
<td>1 to 7 years</td>
<td>2 to 7 years</td>
</tr>
<tr>
<td>Annual selling price escalations</td>
<td>0% to 6%</td>
<td>0% to 6%</td>
<td>0% to 6%</td>
<td>0% to 6%</td>
</tr>
<tr>
<td>Annual rental escalations</td>
<td>0% to 10%</td>
<td>0% to 10%</td>
<td>0% to 10%</td>
<td>0% to 10%</td>
</tr>
<tr>
<td>Expense ratios</td>
<td>26% to 51%</td>
<td>22% to 75%</td>
<td>22% to 75%</td>
<td>22% to 75%</td>
</tr>
<tr>
<td>Vacancy ratio</td>
<td>1% to 18%</td>
<td>2% to 15%</td>
<td>2% to 15%</td>
<td>2% to 15%</td>
</tr>
<tr>
<td>Income capitalisation rates</td>
<td>8% to 12%</td>
<td>10% to 12%</td>
<td>10% to 12%</td>
<td>10% to 12%</td>
</tr>
<tr>
<td>Risk adjusted discount rates</td>
<td>13% to 14%</td>
<td>14% to 16%</td>
<td>14% to 16%</td>
<td>14% to 16%</td>
</tr>
</tbody>
</table>

For assets or liabilities held at amortised cost and disclosed in levels 2 or 3 of the fair value hierarchy, the discounted cash flow valuation technique is used. Interest rates and money market curves are considered unobservable inputs for items which mature after five years. However, if the items mature in less than five years, these inputs are considered observable.

For debt securities in issue held at amortised cost, a further significant input would be the underlying price of the market traded instrument. The sensitivity of the fair value measure is dependent on the unobservable inputs. Significant changes to the unobservable inputs in isolation will have either a positive or negative impact on fair values.

Refer to note 54.
1. **Summary of significant accounting policies** *(continued)*

1.2 **Process of determination, and use, of estimates, assumptions and judgements** *(continued)*

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

Available-for-sale financial assets are regularly assessed for impairment. In assessing whether or not impairment of an equity available-for-sale instrument has occurred, consideration is given to, inter alia, whether or not there has been a significant or prolonged decline in the fair value of the security below its cost. Factors considered in determining whether there has been a significant or prolonged decline in the fair value of the equity instrument below its cost include:

- the length of time and the extent to which fair value has been below cost;
- the severity of the reduced fair value;
- the cause of the reduced fair value and the financial condition and near-term prospects of the issuer;
- activity in the market of the issuer which may indicate adverse credit conditions; and
- the Bank’s ability and intent to hold the instrument for a period of time to allow for any anticipated recovery.

Refer to note 32.

1.2.5 **Consolidation of structured and sponsored entities**

The Bank consolidates an entity when it has control, which means that it is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to effect those returns through its power over the investee. In some cases, judgement has been required to determine whether the Bank controls entities. The key judgements are set out as follows:

Structured entities

The Bank consolidates certain structured entities (“SEs”), which may or may not be directly or indirectly owned subsidiaries. SEs are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. These SEs are consolidated when they are controlled by the Bank. Judgement is required in assessing whether an entity is an SE, as well as in determining whether the Bank controls the SE. Refer to note 1.3.3 where the factors considered when assessing whether an SE is to be consolidated are outlined.

Assessment of agent versus principal

Acting as an agent, the Bank is primarily engaged to act on behalf and for the benefit of other parties. When assessing whether the Bank is acting as a principal or as an agent for an investee the judgement is made based on the following factors:

- scope of our decision-making authority over the investee;
- any rights held by other parties such as kick out rights;
- exposure to variability from returns of an interest more than 20%; and
- the remuneration to which the Bank is entitled.

Assessment of sponsored entities

In addition to the unconsolidated SEs in which the Bank has an interest, it also sponsors some unconsolidated SEs in which it has no interest, generally to facilitate client transactions. For the purposes of these disclosures, the Bank sponsors an entity when:

- it is the majority user of the entity;
- its name appears in the name of the entity or on the products issued by the entity;
- it provides implicit or explicit guarantees of the entity’s performances; or
- it led the formation of the entity.

Refer to notes 42 and 43.

1.2.6 **Post-retirement benefits**

The valuations of and contributions towards defined benefit pension plans are determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Exposure to actuarial risks

The defined benefit funds expose the Bank to the risk that the benefits promised in the various funds cost more than the accumulated assets set aside to meet such benefits, and ultimately will require additional funding from the Bank (or its subsidiaries).

This risk can be categorised into a number of actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.
1. **Summary of significant accounting policies (continued)**

1.2 **Process of determination, and use, of estimates, assumptions and judgements (continued)**

**Investment risk**

The actuarial funding valuations make assumptions about the returns that may be available on invested assets. If the return on pension plan assets is below this rate, it may lead to a strain on the fund, which over time, may result in a pension plan deficit. Typically the funds have a relatively balanced investment in equity securities, debt securities and real estate to mitigate any concentration risk. Due to the long-term nature of the pension plan liabilities, the boards of the pension funds consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to improve the return generated by the fund. This may in turn result in improved discretionary benefits to members or reduced costs for the sponsoring entity.

**Inflation/pension increase risk**

Benefits in these plans are to some extent tied to inflation, so increased inflation levels represent a risk that could increase the costs of paying the funds’ promised benefits. However, the risk is mitigated by ceilings on mandatory benefit increases in most cases and subject to affordability in cases where the mandatory ceiling does not apply.

**Longevity risk**

If pensioners live longer than expected then that will, all else equal, increase the funds’ liabilities as benefits are paid for a longer term.

**Salary risk**

An increase in the salary of the plan participants will increase the plan’s liability. This risk has been limited with the closure of the defined benefit plan and the introduction of the defined contribution plan. There are now a limited number of active defined benefit members. Although the Absa Pension Fund has in its entirety been disclosed as a defined benefit plan, the defined contribution portion thereof does not retain salary risk.

**Measurement risk**

The IAS 19 Employee Benefits (“IAS 19”) liabilities are determined using various assumptions about future experience.

One of the most important assumptions is the discount rate derived from prevailing bond yields where these are available (where these are not available, the inflation rate plus a reasonable risk free real return is used as a proxy). A decrease in the discount rate will, with all else equal, increase the plan liability; this may be partially offset by an increase in the value of assets, to the extent that the funds’ investments are matched against its liabilities.

Other important assumptions are the inflation assumption, pension increase assumption and the longevity assumption and changes in those could affect the measured value of liabilities significantly. Changes in other assumptions used could also affect the measured liabilities.

**Regulatory risk**

The funds’ benefits are governed by the rules of those funds, operating within the regulatory framework within each country. To the extent that the South African government can change that regulatory framework, the Bank is exposed to a risk. In particular, regulations introducing issues like minimum benefits or minimum pension increases may result in higher benefits to members and a higher associated cost.

Refer to note 1.17.1 for the specific assumptions used and carrying amounts of post-retirement benefits.

1.2.7 **Provisions**

Various assumptions are applied in arriving at the carrying value of provisions that are recognised in terms of the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”).

Management further relies on input from the Bank’s legal counsel in assessing the probability of matters of a significant nature.

Refer to note 19 for details of provisions recognised and refer to note 47 for contingencies recognised.

1.2.8 **Income taxes**

The Bank is subject to income taxes in numerous jurisdictions and the calculation of the Bank’s tax charge for income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may have indicated disagreement with the Bank’s treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority. The Bank recognises liabilities for
1. **Summary of significant accounting policies (continued)**

1.2 **Process of determination, and use, of estimates, assumptions and judgements (continued)**

anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Bank’s Tax Risk Framework.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Management’s judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption in determining the deferred tax asset to be recognised is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Bank in order to utilise the deferred tax assets.

Further information is included in notes 15, 34 and 47 around estimated tax positions where a high degree of judgement has been applied.

1.2.9 *Share-based payments*

The initial fair value of the Bank’s share-based payment arrangement awards is based on the BAGL share price at grant date.

Where the fair value of share awards relating to share-based payments is not based on the BAGL share price with a zero strike price, it is determined using option pricing models. The inputs to the option pricing models are derived from observable market data, where possible but where observable market data is not available, judgement is required to establish fair values.

**Equity-settled share-based payment arrangements**

The initial fair value of the awards are determined at grant date. The fair value of the awards granted to participants is measured after taking into account all terms and conditions of the arrangement upon which such awards were granted.

**Cash-settled share-based payment arrangements**

The Bank considers adjustments to reflect expectations of phantom awards that might be forfeited before the awards vest.

At each reporting date, the Bank adjusts the liability to reflect:
- differences between the share price at grant date and the market price at valuation date;
- differences between actual and expected forfeited awards; and
- dividends accrued to date

Note 49 includes details of the Bank’s share awards. Refer to note 18 for the carrying amount of liabilities arising from cash-settled arrangements.

1.2.10 **Offsetting financial assets and financial liabilities**

The Bank offsets certain financial assets and liabilities, when it has a legal right to offset such financial instruments and there is an intention to settle these financial instruments on a net basis. When determining whether it is appropriate to offset financial assets and liabilities, the following judgement is applied:

- In the absence of a contractual agreement that provides for offsetting, the Bank applies the common law principles in South Africa when determining whether there is a legally enforceable right to offset. The application of these common law principles are sometimes subject to a significant degree of interpretation. In these instances, legal advice is obtained to ensure that the application of the common law principles is correctly applied within the ambit of the law. Using the legal advice obtained, management assesses whether there is a legal right to offset accounts.
- When determining whether there is an intention to settle a financial asset and a financial liability, management evaluates the underlying terms of the contract to identify whether there is a legal right to offset which could also indicate the Bank’s intention to settle on a net basis. In addition, management considers whether there is past practice which indicates that amounts have been offset, for example, customer accounts could be offset before the customer enters into a process of liquidation or customer accounts could be offset when the customer exceeds the limit of the facility granted. Management also evaluates whether the customer’s accounts are managed on a net basis which would support the view that there is an intention to settle on a net basis. Through this process, management is able to substantiate the view that there is an intention to settle on a net basis.

The above are considered to ensure the Bank’s financial assets and liabilities are presented accurately in accordance with the characteristics of the items in question as resources or obligations of the entity. Refer to note 41.
1. Summary of significant accounting policies (continued)

1.3 Consolidation

The consolidated financial statements include those of Absa Bank Limited and all its subsidiaries and controlled SEs.

1.3.1 Subsidiaries

Subsidiaries are all entities (including SEs) over which the Bank has control. The Bank controls and hence consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Bank will only consider potential voting rights that are substantive when assessing whether it controls another entity. In order for the right to be substantive, the holder must have the practical ability to exercise that right. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

The consolidation of SEs is considered at inception, based on the arrangements in place and the assessed risk exposures at that time.

The assessment of control is based on the consideration of all facts and circumstances.

There are a number of subsidiaries in which the Bank has less than half of the voting rights which are consolidated when the substance of the relationship between the Bank and the entity indicates that the entity is controlled by the Bank. Such entities are deemed to be controlled by the Bank when relationships with such entities give rise to benefits that are in substance no different from those that would arise were the entity a subsidiary.

Intragroup transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Bank for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements of the Company.

1.3.2 Investments in associates and joint ventures

Associates are entities in which the Bank has significant influence, but not control, over its operating and financial policies. Generally the Bank holds more than 20%, but less than 50%, of their voting shares. A joint arrangement is a contractual agreement between two or more parties to undertake an economic activity that is under joint control. Joint ventures are joint arrangements whereby the joint venturers that have joint control of the arrangement have rights to the net assets of the entity.

The Bank's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each reporting period by the Bank's share of the post-acquisition profit (or loss). In some cases, investments in these entities may be held at fair value through profit or loss, for example, those held by private equity businesses.

Investments in associates and joint ventures are accounted for at cost less impairment in the separate financial statements of the Company.

1.3.3 Structured entities (“SE”) 

An interest in a SE is any form of investment or arrangement which creates variability in returns arising from the performance of the SE for the Bank. Such interests include but are not limited to holdings of debt or equity securities, derivatives that transfer financial risks to the Bank, and in some cases financial guarantees and investment management fee agreements. At market, plain-vanilla interest rate swaps and derivatives that are determined to introduce risk to a structured entity are not considered to be an interest in an entity. Depending on the Bank’s power over the activities of the entity and its exposure to and ability to influence its returns from it, it may consolidate the entity. These SEs are therefore consolidated on the same basis as subsidiaries as set out in 1.3.1.

1.3.4 Common control

Common control transactions are business combinations in which the combining entities are ultimately controlled by the Bank. The Bank applies the predecessor accounting method when accounting for common control transactions.

The assets and liabilities of the combining entities are not adjusted to fair value but reflected at their carrying amounts at the date of the transaction. Any difference between the consideration paid/transferred and the net asset value “acquired” is reflected within equity. No new goodwill will be recognised as a result of the common control transaction.

The comparative statement of financial position and statement of comprehensive income are restated as if the entities had always been combined, regardless of the date of the transaction.
1. Summary of significant accounting policies (continued)

1.4 Segment reporting

The Bank’s segmental reporting is in accordance with IFRS 8 Operating Segments (“IFRS 8”). Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Operation Decision Maker (“CODM”). All transactions between business segments are conducted on an arm’s length basis, with intra-segment revenue and costs being eliminated in head office and inter-segment eliminations. Income and expenses directly associated with each segment are included in determining business segment performance.

1.5 Foreign currencies

1.5.1 Foreign currency translations

The Bank’s foreign operations (including subsidiaries, SEs and branches) based mainly outside South Africa may have different functional currencies. The functional currency of an operation is the currency of the main economy to which it is exposed. Prior to consolidation (or equity accounting) the assets and liabilities of non-rand operations are translated at the closing rate and items of income, expense and OCI are translated into rand at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are included in currency translation reserves within equity through OCI. These are transferred to profit or loss when the Bank loses control, joint control or significant influence over the foreign operation or on partial disposal of the operation.

1.5.2 Foreign currency transactions

Transactions and balances in foreign currencies are translated into rand at the rate ruling on the date of the transaction. Foreign currency balances are translated into rand at the reporting period end exchange rates. Exchange gains and losses on such balances are taken to profit or loss.

1.6 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the parent and the number of basic weighted average number of shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held.

1.7 Financial instruments

The Bank applies IAS 39 for the recognition, classification and measurement and derecognition of financial assets and financial liabilities, for the impairment of financial assets and for hedge accounting. The Bank recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date. All financial instruments are measured initially at fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

1.7.1 Financial instruments at fair value through profit or loss

Financial instruments classified as held for trading

In accordance with IAS 39, all assets and liabilities held for trading purposes are held at fair value with gains and losses from changes in fair value are taken to “gains and losses from banking and trading activities” in profit or loss.

Financial instruments designated at fair value through profit or loss

In accordance with IAS 39, financial assets and financial liabilities may be designated at fair value, with gains and losses taken to profit or loss in “gains and losses from banking and trading activities” and “gains and losses from investment activities” depending on the nature of the instrument. The Bank has the ability to make the fair value designation when holding the instruments at fair value. This reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), is managed by the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.
1. **Summary of significant accounting policies (continued)**

### 1.7 Financial instruments (continued)

#### Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income, net fee and commission income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the statement of financial position. Changes in the fair value of derivatives used to economically hedge the Bank's interest rate risk are recognised in “net interest income” in profit or loss.

### 1.7.2 Available-for-sale financial assets

Subsequent to initial recognition, the fair value adjustments which represent gains and losses, net of applicable taxes, are reported in other comprehensive income until such investments are sold or otherwise disposed of, or until such investments are determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. However, interest on available-for-sale financial instruments calculated using the effective interest rate method is recognised directly in profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established.

### 1.7.3 Loans and receivables

Loans and receivables are held at amortised cost. That is, the initial fair value (which is normally the amount advanced) is adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset.

### 1.7.4 Embedded derivatives

Terms in contracts or other financial assets or liabilities (“the host”) which had it been a standalone contract would have met the definition of a derivative are either separated from the host and accounted for the same way as a derivative or the entire contract is designated at fair value through profit or loss.

### 1.7.5 Financial liabilities

Most financial liabilities are held at amortised cost. That is, the initial fair value (which is normally the amount borrowed) is adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the liability.

### 1.7.6 Impairment of financial assets

#### Financial assets held at amortised cost

In accordance with IAS 39, the Bank assesses at each reporting date whether there is objective evidence that financial assets at amortised cost will not be recovered in full and, wherever necessary, recognises an impairment loss in profit or loss.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets. These events include:

- becoming aware of significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Bank, for economic or legal reasons relating to the borrower’s financial difficulty, grants a concession that it would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio — such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment assessments are conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans, and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together, generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset, or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.
1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Following impairment, interest income is recognised at the original effective interest rate on the reduced carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans. The impairment allowance contains a net present value adjustment that represents the time value of money of expected cash flows. Such time value of money reduces as the point of cash flow is approached. The time-based reduction in time value of money is recognised in the statement of comprehensive income as interest received on impaired assets. Uncollectable loans are written off against the related allowance for loan impairment on completion of the Bank’s internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to impairment losses on loans and advances in profit or loss.

Identified impairment

Impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows of that instrument being assessed are taken into account, for example, the business prospects for the customer, the fair value of collateral, the Bank’s position relative to other claimants, the reliability of customer information and the likely cost and duration of the workout process. Subjective judgements are made in this process by management. Refer to note 1.2.1 in this regard.

Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in revisions to the impairment allowance as individual decisions are taken case by case.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

Unidentified impairment

An impairment allowance is recognised when observable data indicates there is a measurable decrease in the estimated future cash flows from a group of financial assets since the original recognition of those assets, even though the decrease cannot yet be identified for the individual assets in the group. The unidentified impairment calculation is based on the asset’s probability of moving from the performing portfolio to the defaulted portfolio as a result of a risk condition that has already occurred, but will only be identifiable at a borrower level at a future date. The purpose of collective assessment of impairment is to test for latent losses on a portfolio of loans that have not been individually evidenced.

In cases where the collective impairment of a portfolio cannot be individually evidenced, the Bank sets out to prove that a risk condition has taken place that will result in an impairment of assets (based on historic experience), but the losses will only be identifiable at an individual borrower level at a future date.

To the extent that the unidentified impairments created by the banking operations of the Bank are insufficient to meet the minimum regulatory general provision, such shortfall is accommodated by a transfer of the applicable after-tax amount from distributable to non-distributable reserves.

Available-for-sale debt instruments

Debt instruments are assessed for impairment in the same way as loans. If impairment is deemed to have occurred, the cumulative decline in the fair value of the instrument that has previously been recognised in equity (through OCI) is removed from equity (through OCI) and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Available-for-sale equity instruments

Where there has been a prolonged or significant decline in the fair value of an equity instrument below its acquisition cost, it is deemed to be impaired. The cumulative net loss that has been previously recognised directly in equity (through OCI) is removed from equity (through OCI) and recognised in profit or loss. Further declines in the fair value of equity instruments after impairment are recognised in profit or loss. Reversals of impairment of equity instruments are not recognised in profit or loss. Increases in the fair value of equity instruments after impairment are recognised directly in other comprehensive income.

1.7.7 Subordinated debt

The majority of subordinated debt is measured at amortised cost using the effective interest rate method under IAS 39.
1. **Summary of significant accounting policies** *(continued)*

1.7 **Financial instruments** *(continued)*

1.7.8 **Offsetting of financial assets and financial liabilities**

In accordance with IAS 32, the Bank reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7.9 **Derecognition of financial assets**

In the course of its normal banking activities, the Bank makes transfers of financial assets, either legally (where legal rights to the cash flows from the asset are passed to the counterparty) or beneficial (where the Bank retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

Full derecognition only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Bank transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Bank may retain an interest in it (continuing involvement) requiring the Bank to repurchase it in certain circumstances for other than its fair value on that date.

1.7.10 **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

1.7.11 **Day One profits or losses**

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument’s fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets, then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price (“Day One profit”) is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate, or released in full when previously unobservable inputs become observable.

1.7.12 **Hedge accounting**

The Bank applies hedge accounting to represent, to the maximum possible extent permitted under accounting standards, the economic effects of its interest and currency risk management strategies. Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions.

Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Bank applies fair value hedge accounting, cash flow hedge accounting, or hedge accounting of a net investment in a foreign operation, as appropriate to the risks being hedged.

The Bank assesses on an ongoing basis whether the hedge has been highly effective. A hedge is regarded as highly effective only when offsetting changes in fair value or cash flows attributable to the hedged risk during the period are within a range of between 80% and 125%.

Hedge accounting is discontinued when a derivative is not highly effective as a hedge, is sold, terminated, exercised or where the forecast transaction is no longer highly probable to occur. The same applies if the hedged item is sold or repaid. Instruments that have been designated as hedging instruments are reported in a separate line on the statements of financial position at each reporting date.
1. Summary of significant accounting policies (continued)

1.7 Financial instruments (continued)

For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. Prospective testing is based on the estimation of certain parameters to assess whether the hedging relationship will be effective or not. The estimation of these parameters is performed using best practice statistical forecasting and simulation methodologies based on current and historical market data. Resultant simulated hedging relationships are assessed by calculating a statistically based hedge effectiveness test criterion.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to profit or loss over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in profit or loss.

Cash flow hedge accounting

For qualifying cash flow hedges, the fair value gain or loss on the hedging instrument associated with the effective portion of the cash flow hedge is recognised initially in OCI, and then recycled to profit or loss in the reporting periods when the hedged item will affect profit or loss.

Any ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss immediately. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to profit or loss.

1.7.13 Repurchase and reverse repurchase agreements

Reverse repurchase agreements (and stock borrowing or similar transactions) are a form of secured lending whereby the Bank provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Bank obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Bank purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included on the statement of financial position as the Bank does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset at fair value or at amortised cost. The Bank may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the statement of financial position either at fair value or amortised cost as the Bank retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at either fair value or amortised cost.

1.7.14 Compound financial instruments

The Bank applies IAS 32 to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Bank having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument, if this is not the case, the instrument is generally an equity instrument.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

1.7.15 Loan commitments

The Bank enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Bank subject to notice conditions. Provision is made for undrawn loan commitments to be provided at below-market interest rates and for similar facilities, if it is probable that the facility will be drawn and result in recognition of an asset at an amount less than the amount advanced.

Annual consolidated and separate financial statements 31 December 2015
1. **Summary of significant accounting policies (continued)**

1.7 Financial instruments (continued)

1.7.16 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Other than where the fair value option is applied subsequent to initial recognition, the Bank’s liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in profit or loss, any fee income earned over the reporting period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the reporting date.

Any increase in the liability relating to guarantees is recognised in profit or loss. Any liability remaining is credited to profit or loss when the guarantee is discharged, cancelled or expires.

1.8 Share capital

1.8.1 Ordinary share capital

Proceeds are included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the annual general meeting and treated as a deduction from equity.

1.8.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company’s option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific future date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as an interest expense in profit or loss.

1.9 Revenue recognition

1.9.1 Net interest income

Interest income on loans and advances at amortised cost, available-for-sale debt investments, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Bank to estimate future cash flows, in some cases based on its experience of customers’ behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), there are no individual estimates that are material to the results or financial position.

1.9.2 Net trading income

In accordance with IAS 39, trading positions are held at fair value and the resulting gains and losses are included in profit or loss, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Own credit gains/losses arise from the fair valuation of financial liabilities designated at fair value through profit or loss.

Gains or losses on assets or liabilities reported in the trading portfolio are included in profit or loss under “gains and losses from banking and trading activities” together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

1.9.3 Net fee and commission income

Fees and commissions charged for services provided or received by the Bank are recognised as the services are provided, for example on completion of an underlying transaction.
1. Summary of significant accounting policies (continued)

1.9 Revenue recognition (continued)

1.9.4 Net investment income

Dividends are recognised when the right to receive the dividend has been established. Dividends received are disclosed in “gains and losses from investment activities”.

1.9.5 Instalment credit agreements

Leases, instalment credit and rental agreements are regarded as leases. Rentals and instalment receivables, less unearned finance charges, are included under loans and advances. Finance charges are recognised as “interest and similar income” in profit or loss over the terms of the lease using the effective interest rate method (before tax) which reflects a constant periodic rate of return.

1.10 Commodities

Commodities where the Bank has a shorter-term trading intention are carried at fair value less costs to sell in accordance with the broker-trader exception in IAS 2 Inventories (“IAS 2”). The fair value for commodities is determined primarily using data derived from markets on which the underlying commodities are traded.

1.11 Intangible assets

1.11.1 Goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 Business Combinations (“IFRS 3”) and IAS 36. Goodwill arises on the acquisition of subsidiaries, associates and joint ventures, and represents the excess of the fair value of the purchase consideration over the fair value of the Bank’s share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is tested annually for impairment, or more frequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks, of the CGU to which the goodwill relates, or the CGU’s fair value less costs to sell if this is higher.

Any goodwill resulting from the acquisition of an associate or joint venture is included in the carrying value of the associate or joint venture.

1.11.2 Intangible assets other than goodwill

Intangible assets include brands, customer lists, internally generated software, licences and other contracts and core deposit intangibles. They are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Development expenditure is capitalised only if development costs can be measured reliably, completion of the development of the software is technically and commercially feasible, the Bank can demonstrate that the intangible asset will be used to generate future economic benefits, the Bank intends to and has sufficient resources to complete development and to use the asset, and the Bank can demonstrate the ability to use or sell the intangible asset. The expenditure capitalised includes the cost of materials, staff costs and overhead costs that are directly attributable to preparing the software for intended use. Other development expenditure which does not meet the above requirements is recognised in profit or loss when the Bank has right of access to the goods or as the services are received.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the fair value at acquisition date) less amortisation and provision for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, as set out in the following table.

Intangible assets are reviewed for impairment when there are indicators that impairment may have occurred.
1. Summary of significant accounting policies (continued)

1.11 Intangible assets (continued)

<table>
<thead>
<tr>
<th>Useful lives</th>
<th>Customer lists and relationships</th>
<th>Computer software development costs</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finite</td>
<td>Amortised over the period of the expected future cash flows on a basis that reflects the pattern in which future economic benefits are expected to be received from the asset.</td>
<td>Amortised over the period of the expected use from the related project on a straight-line basis.</td>
<td>Amortised over the period of the expected use on a straight-line basis.</td>
</tr>
<tr>
<td>Internally generated or acquired</td>
<td>Acquired</td>
<td>Internally generated</td>
<td>Acquired</td>
</tr>
<tr>
<td>Annual amortisation rate (%)</td>
<td>8 – 20</td>
<td>20 – 33</td>
<td>10</td>
</tr>
</tbody>
</table>

1.12 Property and equipment

1.12.1 Property and equipment not subject to lease agreements

Property and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in an enhancement to the asset. Depreciation is provided on the depreciable amount of items of property and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property and equipment are kept under review to take account of any change in circumstances. The Bank uses the following annual rates in calculating depreciation:

<table>
<thead>
<tr>
<th>Item</th>
<th>Annual depreciation rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>16 – 25</td>
</tr>
<tr>
<td>Freehold property</td>
<td>2</td>
</tr>
<tr>
<td>Furniture and other equipment</td>
<td>10 – 15</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>25</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>10 – 15</td>
</tr>
</tbody>
</table>

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss within “operating expenses” in the reporting period that the asset is derecognised.

1.12.2 Property and equipment subject to lease agreements

Finance leases

A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Bank is the lessor, the leased asset is not held on the statement of financial position; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Where the Bank is the lessee, the leased asset is recognised in property and equipment and a finance lease liability is recognised, representing the minimum lease payments payable under the lease, discounted at the rate of interest implicit in the lease.

Interest income or expense is recognised in interest receivable or payable, allocated to accounting periods to reflect a constant periodic rate of return.

Leased assets are depreciated over the shorter of the term of the lease and the useful life of the asset.

Operating leases

An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Bank is the lessee, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Bank recognises leased assets on the statement of financial position within property and equipment.

Where the Bank is the lessee, rentals payable are recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more appropriate.
Summary of significant accounting policies (continued)

Property and equipment (continued)

Investment properties

The Bank initially recognises investment properties at cost, and subsequently at fair value at each reporting date reflecting market conditions at the reporting date. Gains and losses on remeasurement are included in profit or loss.

Repossessed properties

Repossessed properties acquired in exchange for loans as part of an orderly realisation are reported in “other assets” as inventory as it is held for sale in the ordinary course of business. The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the Bank. The corresponding loans are derecognised when the Bank becomes the holder of the title deed.

The properties acquired are initially recorded at cost, which is the lower of their fair value (less costs to sell) and the carrying amount of the loan (net of impairment allowance) at the date of exchange. They are subsequently measured at the lower of the carrying amount or net realisable value. No depreciation is charged in respect of these properties. Any subsequent write-down of the acquired properties to net realisable value is recognised in the statement of comprehensive income, in “other impairments”. Any subsequent increase in net realisable value, to the extent that it does not exceed the cumulative write-down, is also recognised in “other impairments”.

Gains or losses on disposal of repossessed properties are reported in “other operating income” or “operating expenses”.

Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Bank’s accounting policies.

Thereafter the assets (or disposal group) are measured at the lower of their carrying amount or fair value, less cost to sell. Any impairment loss on a disposal group is first allocated to reduce goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, investment properties and employee benefit assets, which continue to be measured in accordance with the Bank’s accounting policies.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss until finally sold.

Property, equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

Provisions, contingent liabilities and commitments

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists; for example, when the Bank has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan.

Provision is made for undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.
1. Summary of significant accounting policies (continued)

1.17 Employee benefits

1.17.1 Post-retirement benefits

The Bank operates a pension scheme that includes a defined contribution and defined benefit scheme.

Defined contribution schemes

The Bank recognises contributions due in respect of the reporting period in profit or loss. Any contributions unpaid at the reporting date are included as a liability.

Defined benefit schemes

The Bank recognises its obligation (determined using the projected unit credit method) to members of the scheme at the reporting date, less the fair value of the scheme assets. Scheme assets are stated at fair value as at the reporting date.

Costs arising from regular pension cost, interest on net defined benefit liability or asset, past service cost settlements or contributions to the plan are recognised in profit or loss.

All actuarial gains and losses are recognised immediately through OCI in order for the net defined benefit scheme asset or liability recognised in the statement of financial position to reflect the full value of the plan surplus or deficit, taking into account the asset ceiling.

Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Interest is calculated by applying the discount rate to the net opening defined benefit liability or asset taking into account expected contributions and expected benefit payment.

Gains and losses on curtailments are recognised when the curtailment occurs, which may be when a demonstrable commitment to a reduction in benefits, or reduction in eligible employees, occurs. The gain or loss comprises any change in the present value of the obligation and the fair value of the assets. Where a scheme’s assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions.

1.17.2 Staff costs

Short-term employee benefits, including salaries, accrued performance costs, salary deductions and taxes are recognised over the reporting period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably and are recognised on an undiscounted basis over the period of service that employees are required to work to qualify for the services.

1.17.3 Share-based payments

The Bank operates equity-settled and cash-settled share-based payment plans.

Employee services settled in equity instruments

The cost of the employee services received in respect of the BAGL shares or share options granted is recognised in profit or loss over the period that employees provide services, generally the period in which the award is granted and notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions.

Employee services settled in cash

The fair value of the amount payable to employees in terms of a cash-settled share-based payment is recognised as an expense, with a corresponding increase in liabilities, over the vesting period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in profit or loss. No amount is recognised for services received if the awards granted do not vest because of a failure to satisfy a vesting condition.
1. **Summary of significant accounting policies (continued)**

1.18 **Tax**

1.18.1 **Current tax**

Income tax payable on taxable profits (“current tax”) is recognised as an expense in the reporting period in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior reporting period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

1.18.2 **Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the reporting date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

1.18.3 **Dividends withholding tax**

Dividends are taxed at 15% in the hands of certain of the recipients of the dividends, rather than in the hands of the declarer of the dividend. As such, for dividends declared and paid by the Bank, the Bank does not recognise tax on dividends declared.

1.18.4 **Value added tax (“VAT”)**

Revenues, expenses and assets are recognised net of the amount of VAT, except:
- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the asset or expense; and
- receivables and payables that are stated with the amount of VAT included.

Non-recoverable VAT on operating expenditure is disclosed separately in “other expenses” in profit or loss.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.19 **Reporting changes overview**

The financial reporting changes that have had an impact on the Bank’s results for the comparative reporting period ended 31 December 2014 include changes in reportable segments.

1.19.1 **Changes in reportable segments**

Refer to note 51 for changes affected to reportable segments, in line with the requirements of IFRS 8.

1.20 **New standards and interpretations not yet adopted**

A number of new standards and amendments to existing standards have been issued but are not yet effective for the reporting period and have not been applied in preparing these annual financial statements:

**IFRS 9 Financial Instruments (“IFRS 9”)**

In 2014, the IASB issued IFRS 9, *Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement*. It will lead to significant changes in the accounting for financial instruments. The key changes relate to:
- **Financial assets**: Financial assets will be measured at either fair value through profit or loss or amortised cost, except for debt instruments meeting specific criteria, which are required to be measured at fair value through other comprehensive income, or equity investments not held for trading, which may be measured at fair value through other comprehensive income;
- **Financial liabilities**: The accounting for financial liabilities is largely unchanged, except for non-derivative financial liabilities designated at fair value through profit or loss. Gains and losses on such financial liabilities arising from changes in the Bank’s own credit risk will be presented in other comprehensive income rather than in profit or loss;
- **Impairment**: Credit losses expected at the reporting date (rather than only losses incurred in the year) on loans and advances, debt securities, loan commitments and financial guarantee contracts not held at fair value through profit or loss will be reflected in impairment allowances; and
- **Hedge accounting**: Hedge accounting will be more closely aligned with the manner in which the entity manages the hedged risk.

IFRS 9 is not required to be applied until periods beginning on or after 1 January 2018. The standard is required to be retrospectively applied, but comparative information is not compulsory.

A joint Risk and Finance programme was incepted in 2014 to implement the requirements. It will be a multi-year programme impacting models, data, systems and business processes. During 2015, the programme focused on policy definition, design and model prototype; 2016 will see it move into a ‘build and test’ phase with planned parallel testing ahead of the 2018 implementation.
Accounting policies
for the reporting period ended 31 December

1. Summary of significant accounting policies (continued)

1.20 New standards and interpretations not yet adopted (continued)

IFRS 9 – Classification and measurement
IFRS 9 contains two new classification criteria that require assessment of:
1) The business model within which financial assets are managed; and
2) Their contractual cash flow characteristics (whether the cash flows represent ‘solely payments of principal and interest’).

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual cash flows represent ‘solely payments of principal and interest’.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling, and the contractual cash flows represent ‘solely payments of principal and interest’.

Other financial assets are measured at fair value through profit or loss – including financial assets held for trading or managed on a fair value basis, financial assets designated at fair value through profit or loss due to an accounting mismatch, or financial assets with other types of cash flows, which are not solely principal or interest, including equity investments.

In addition there is an election to allow non-traded equity investments to be measured at fair value through other comprehensive income.

The Bank is currently in the process of assessing the impact of the new classification and measurement criteria.

IFRS 9 – Hedge accounting
Hedge accounting will be more closely aligned with the manner in which the entity manages financial risk. In particular, hedge accounting should be in accordance with the risk management strategies of the entity, and the entity’s risk management objectives. The new rules simplify the former quantitative effectiveness tests as IFRS 9 uses a new approach to effectiveness assessment which is prospective, does not involve the 80% to 125% bright lines and may also be qualitative. IFRS 9’s hedge accounting requires that an economic relationship exists between the hedged item and the hedging instrument and that the effect of credit risk does not dominate the economic relationship.

Under the new rules, if there is no change in the risk management objective, voluntary discontinuation of hedge accounting would not be allowed.

The Bank is currently in the process of assessing the impact of the new hedge accounting requirements.

IFRS 9 – Impairment
IFRS 9 introduces a revised impairment model which requires entities to recognise expected credit losses based on forward-looking information, replacing the existing incurred loss model which only recognised impairment if there was objective evidence that a loss was already incurred.

The IFRS 9 impairment model is applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through OCI, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which was not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37) and the available-for-sale assets’ model, which was not fully aligned to the IAS 39 impairment model for amortised cost assets.

Impairment recognition
Impairment is recognised based on a three-stage approach:

Stage 1: When a financial asset is originated/acquired, an expected credit loss is recognised based on the credit losses expected to be incurred from default events that are possible within 12 months of the reporting date. Interest income is recognised based on the gross carrying value of the instrument.

Stage 2: If the credit risk of an asset has significantly deteriorated since initial recognition, full lifetime expected credit losses should be recognised (i.e. credit losses from default events that are possible over the life of the instrument). Interest income is recognised based on the gross carrying value.

Stage 3: If the credit risk increases to the extent that it is considered to be credit impaired, expected credit losses are based on lifetime losses. Interest income is calculated based on the carrying value net of the loss allowance. This is expected to materially align to identified impairment as reported under IAS 39.

Significant increase in credit risk
Defining significant increase in credit risk is fundamental as this will change the expected loss from a 12 month to a lifetime loss. BACL is exploring leveraging off existing credit risk practices of identifying clients that require closer monitoring (e.g. watchlist or equivalent high risk asset monitoring) and supplementing it with a comparison of the probability of default at the reporting date in comparison to the probability of default at inception of the instrument. The assessment of significant increase in credit risk will incorporate forward looking information.

The definition of default will likely align to the Regulatory capital definition for each portfolio, with a backstop of 90 days past due across all portfolios.
1.20 New standards and interpretations not yet adopted (continued)

**Expected loss calculation**

*Expected Loss:* will be calculated (for both 12 months and lifetime losses) as a function of the *Exposure at default: Probability of default and Loss given default.* These terms are interpreted as follows per the requirements of IFRS 9.

*Exposure at default:* is the estimated amount at risk in the event of a default (before any recoveries) including behavioural expectation of limit usage by customers in the various stages of credit risk.

*Probability of default:* is the probability of default at a particular point in time, which may be calculated, based on the losses that are possible to occur within the next 12 months; or on the remaining life; depending on the stage allocation of the exposure.

*Loss given default:* is the difference between the contractual cash flows due and the cash flows expected to be received, discounted to the reporting date at the effective interest rate. The expected cash flows takes into account cash flows from the sale of collateral held or other credit enhancements that is integral to the contractual terms, but does not require deliberate conservatism required by regulatory requirements.

Given the change in the impairment requirements it is expected that the impairment provision will increase under IFRS 9 compared to IAS 39.

**Capital impact**

Based on the requirements of Capital Requirements Directive IV, the expected increase in the accounting impairment provision is expected to reduce Common Equity Tier 1 ("CET1") capital but the impact is partially mitigated by the "excess of expected losses over impairment" currently included in the CET1 calculation due to the application of the Regulatory principles in determining impairments.

**Disclosures**

The Bank expects to incrementally provide more disclosures to facilitate the understanding of the calculation as the implementation programme progresses. At implementation, extensive disclosures will be provided to explain the basis for the expected credit loss calculations and how changes in credit risk are determined as well as the key differences to the regulatory capital calculation of expected loss (which includes prudential floors and deliberate conservatism given the objective of ensuring sufficient capital resources to cover expected and unexpected credit losses). IFRS 9 requires considerable additional disclosures relating to impairment, classification and measurement and hedge accounting.

**IFRS 15 Revenue from Contracts with Customers ("IFRS 15")** provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:
- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 15 is applicable to reporting periods beginning on or after 1 January 2018. An adjusted retrospective application is required. The Bank is in the process of assessing the impact.

**IFRS 11 Joint arrangements ("IFRS 11") (amendments)** require an acquirer of an interest in a joint operation in which the activity constitutes a business, to apply the accounting principles and disclosures provided by IFRS 3 when accounting for the acquisition. The amendments are required to be applied prospectively and will first be applicable to reporting periods beginning on or after 1 January 2016.

The Bank is in the process of assessing the impact.

**IAS 27 Separate Financial Statements – Equity method ("IAS 27") (amendments) and IAS 28 Investments in Associates and joint ventures ("IAS 28") (amendments)** allow an entity to use the equity method to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. These amendments are required to be applied retrospectively and will first be applicable to reporting periods beginning on or after 1 January 2016.

The Bank is in the process of assessing the impact.

**IAS 1 Presentation of Financial Statements ("IAS 1") (amendments)** further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments are effective for reporting periods beginning on or after 1 January 2016.
1. Summary of significant accounting policies (continued)

1.20 New standards and interpretations not yet adopted (continued)

The Bank is in the process of assessing the impact.

IFRS 10, (IFRS 12 Disclosure of Interests of in Other Entities (“IFRS 12”) and IAS 28 (amendments) introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances. The amendments are required to be applied retrospectively and will first be applicable to reporting periods beginning on or after 1 January 2016.

The Bank is in the process of assessing the impact.

IFRS 16 Leases (“IFRS 16”) eliminates the classification of leases as either operating leases or finance leases for a lessee, and instead introduces a single lessee accounting model.

Applying that model, a lessee is required to recognise:
(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
(b) depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income.

The requirements relating to the definition of a lease have been changed from those included in IAS 17. Guidance is provided on how to determine short term leases as well as leases of low-value assets.

The accounting requirements for lessors have largely remained unchanged. New disclosures regarding leases are also introduced.

The effective date of IFRS 16 is 1 January 2019, with an allowance for early adoption, provided the entity applies IFRS 15 Revenue from Contracts with Customers at the same time. The group is in the process of assessing the impact.

IAS 12 Income Taxes (“IAS 12”) (amendments) clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. The amendments are effective for reporting periods beginning on or after 1 January 2017. The Bank is in the process of assessing the impact.

IAS Statement of Cash Flow Statement (“IAS 7”) (amendments) introduce additional disclosures with respect to the entity’s management of liabilities arising from financing activities. The amendments are required to be applied prospectively and will be applicable to reporting periods beginning on or after 1 January 2016. The Bank is in the process of assessing the impact.

Annual improvements for the 2012-2014 cycle were issued in September 2014. These improvements affect various standards and are effective for periods beginning on or after 1 January 2016.

The Bank is in the process of assessing the impact.
### 2. Cash, cash balances and balances with central banks

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with the SARB</td>
<td>17 459</td>
<td>12 621</td>
</tr>
<tr>
<td>Coins and bank notes</td>
<td>8 607</td>
<td>8 777</td>
</tr>
<tr>
<td>Money market assets</td>
<td>35</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26 101</strong></td>
<td><strong>21 419</strong></td>
</tr>
</tbody>
</table>

The minimum reserve balance to be held in cash with the SARB is calculated under the provision of Regulation 27. The balance is 2.5% of the adjusted liabilities as set out in regulation 27. The required average daily minimum reserve balance must be held with the SARB as from the fifteenth business day of the month following the month to which the BA310 return relates and cannot be utilised in the normal course of business.

### 3. Investment securities

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government bonds</td>
<td>45 577</td>
<td>47 128</td>
</tr>
<tr>
<td>Listed equity instruments</td>
<td>735</td>
<td>362</td>
</tr>
<tr>
<td>Other debt securities</td>
<td>5 975</td>
<td>3 117</td>
</tr>
<tr>
<td>Treasury bills</td>
<td>19 924</td>
<td>18 526</td>
</tr>
<tr>
<td>Unlisted equity and hybrid instruments</td>
<td>854</td>
<td>1 485</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73 065</strong></td>
<td><strong>70 618</strong></td>
</tr>
</tbody>
</table>

RSA government bonds, SARB debentures and treasury bills valued at R9 725m (2014: R5 689m) have been pledged with the SARB.

### 4. Loans and advances to banks

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to banks</td>
<td>58 585</td>
<td>47 599</td>
</tr>
</tbody>
</table>

Included above are reverse repurchase agreements of R21 324m (2014: R 15 217m) and other collateralised loans of R2 252m (2014: R2 382m) relating to securities borrowed.
### 5. Trading and hedging portfolio assets

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodities</td>
<td>2 005</td>
<td>1 701</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>27 528</td>
<td>30 046</td>
</tr>
<tr>
<td>Derivative assets (refer to note 52.4)</td>
<td>77 537</td>
<td>40 295</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity derivatives</td>
<td>223</td>
<td>350</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>908</td>
<td>375</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>2 161</td>
<td>1 040</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>26 996</td>
<td>8 328</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>47 249</td>
<td>30 202</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>1 409</td>
<td>946</td>
</tr>
<tr>
<td>Money market assets</td>
<td>7 976</td>
<td>5 584</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total trading portfolio assets</td>
<td>116 455</td>
<td>78 572</td>
</tr>
<tr>
<td>Hedging portfolio assets (refer to note 52.5)</td>
<td>2 216</td>
<td>2 335</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>118 671</td>
<td>80 907</td>
</tr>
</tbody>
</table>

Trading portfolio assets with a carrying value of R17 403m (R23 390m) were pledged as security for repurchase agreements. These assets are pledged for the duration of the respective agreements.

Included within debt instruments are financial assets traded in the debt capital market with an original maturity of more than one year such as government and corporate bonds.

Included within money market assets are highly liquid financial assets with an original maturity of one year or less, such as floating rate notes, negotiable certificates of deposit, treasury bills, promissory notes, commercial paper and bankers’ acceptance notes.

### 6. Other assets

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable and prepayments</td>
<td>10 953</td>
<td>7 439</td>
</tr>
<tr>
<td>Deferred costs</td>
<td>198</td>
<td>193</td>
</tr>
<tr>
<td>Inventories</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>54</td>
<td>48</td>
</tr>
<tr>
<td>Write-down</td>
<td>(31)</td>
<td>(29)</td>
</tr>
<tr>
<td>Retirement benefit fund surplus (refer to note 37)</td>
<td>466</td>
<td>466</td>
</tr>
<tr>
<td>Settlement accounts</td>
<td>7 200</td>
<td>1 194</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>18 840</td>
<td>9 311</td>
</tr>
</tbody>
</table>
### Notes to the consolidated financial statements

**for the reporting period ended 31 December**

#### 7. Non-current assets and non-current liabilities held for sale

##### 7.1 Non-current assets held for sale

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at the beginning of the reporting period</strong></td>
<td>250</td>
<td>1 857</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>(141)</td>
<td>(1 638)</td>
</tr>
<tr>
<td><strong>Transfer from investment securities</strong></td>
<td>—</td>
<td>29</td>
</tr>
<tr>
<td><strong>Transfer from property and equipment (refer to note 13)</strong></td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td><strong>Fair value adjustment of investment securities</strong></td>
<td>—</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Balance at the end of the reporting period</strong></td>
<td>109</td>
<td>250</td>
</tr>
</tbody>
</table>

During the reporting period disposals of non-current assets and liabilities held for sale occurred in RBB (including Commercial Property Finance ("CPF")). Other assets and liabilities disclosed remain classified as non-current assets held for sale as the Bank has assessed that the sales remain highly probable.

The following movements in non-current assets held for sale were effected in the previous reporting period:
- RBB transferred investment securities and investment properties with a carrying value of R29m and Rnil respectively.
- The Head Office and other operations segment transferred property and equipment with a carrying value of R3m.

The CPF Equity division in RBB disposed of a non-core subsidiary with investment property with a carrying value of R1 315m. Other disposals of non-current assets and liabilities held for sale occurred in RBB, Wealth and Head Office and other operations segments.
8. Loans and advances to customers

<table>
<thead>
<tr>
<th></th>
<th>Bank 2015 (Rm)</th>
<th>Bank 2014 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate overdrafts and specialised finance loans</td>
<td>8 784</td>
<td>7 428</td>
</tr>
<tr>
<td>Credit cards</td>
<td>32 847</td>
<td>32 684</td>
</tr>
<tr>
<td>Foreign currency loans</td>
<td>22 419</td>
<td>21 151</td>
</tr>
<tr>
<td>Installment credit agreements (refer to note 8.1)</td>
<td>74 154</td>
<td>71 849</td>
</tr>
<tr>
<td>Gross advances</td>
<td>91 160</td>
<td>88 307</td>
</tr>
<tr>
<td>Unearned finance charges</td>
<td>(17 006)</td>
<td>(16 458)</td>
</tr>
<tr>
<td>Loans to associates and joint ventures (refer to note 42.6)</td>
<td>17 079</td>
<td>14 456</td>
</tr>
<tr>
<td>Microloans</td>
<td>2 870</td>
<td>2 282</td>
</tr>
<tr>
<td>Mortgages1</td>
<td>270 144</td>
<td>265 544</td>
</tr>
<tr>
<td>Other advances</td>
<td>4 831</td>
<td>3 685</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>31 287</td>
<td>29 698</td>
</tr>
<tr>
<td>Overnight finance</td>
<td>15 236</td>
<td>18 607</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>30 426</td>
<td>28 152</td>
</tr>
<tr>
<td>Preference shares</td>
<td>16 137</td>
<td>11 850</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>20 310</td>
<td>5 819</td>
</tr>
<tr>
<td>Wholesale overdrafts</td>
<td>67 473</td>
<td>53 639</td>
</tr>
<tr>
<td>Gross loans and advances to customers</td>
<td>613 997</td>
<td>566 844</td>
</tr>
<tr>
<td>Impairment losses on loans and advances (refer to note 9)</td>
<td>(11 995)</td>
<td>(12 323)</td>
</tr>
<tr>
<td></td>
<td>602 002</td>
<td>554 521</td>
</tr>
</tbody>
</table>

Included above are loans and advances to customers with a carrying value of R3 093m (2014: R7 854m) that have been pledged as security, including collateralised loans of R1 086m (2014: R2 827m) relating to securities borrowed. The amount pledged is the required threshold of cash collateral based on specific arrangements with different counterparties. Exposures are reviewed on a periodic basis, whereby these thresholds are adjusted accordingly.

Other advances include customer liabilities under acceptances, working capital solutions and collateralised loans.

### 8.1 Instalment credit agreements

#### Maturity analysis

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross advances (Rm)</td>
<td>Unearned finance charges (Rm)</td>
</tr>
<tr>
<td>Less than one year</td>
<td>29 231</td>
<td>(6 798)</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>59 491</td>
<td>(10 090)</td>
</tr>
<tr>
<td>More than five years</td>
<td>2 438</td>
<td>(118)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>91 160</td>
<td>(17 006)</td>
</tr>
<tr>
<td></td>
<td>88 307</td>
<td>(16 458)</td>
</tr>
</tbody>
</table>

The Bank enters into instalment credit agreements in respect of motor vehicles, equipment and medical equipment. The majority of the leases are denominated in South African Rand. The average term of the finance leases entered into is five years. Under the terms of the lease agreements, no contingent rentals are payable. Unguaranteed residual values of instalment credit agreements at the reporting date are R5 529m (2014: R4 805m). The accumulated allowance for uncollectible lease payments receivable included in the allowance for impairments at the reporting date is R890m (2014: R777m).

**Note**

1 In the current period, it was determined that the nature of certain loans to associates is closely linked to mortgages. This resulted in allocation of R305m out of loans to associates and joint venture to mortgages in the prior year.
### 9. Impairment losses on loans and advances to customers

**Comprising:**

- **Identified impairments**
- **Unidentified impairments**

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified impairments</td>
<td>10 231</td>
<td>10 779</td>
</tr>
<tr>
<td>Unidentified impairments</td>
<td>1 764</td>
<td>1 544</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11 995</td>
<td>12 323</td>
</tr>
</tbody>
</table>

**Reconciliation of allowance for impairment losses on loans and advances to customers**

<table>
<thead>
<tr>
<th></th>
<th>Retail Banking Rm</th>
<th>Business Banking Rm</th>
<th>CIB Rm</th>
<th>Wealth Rm</th>
<th>Head Office and other operations Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>9 808</td>
<td>2 028</td>
<td>405</td>
<td>82</td>
<td>—</td>
<td>12 323</td>
</tr>
<tr>
<td>Net present value unwind on non-performing book</td>
<td>(591)</td>
<td>(130)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(721)</td>
</tr>
<tr>
<td>Amounts written-off</td>
<td>(4 688)</td>
<td>(784)</td>
<td>(10)</td>
<td>(15)</td>
<td>—</td>
<td>(5 497)</td>
</tr>
<tr>
<td>Impairment raised/(reversed) – identified</td>
<td>4 901</td>
<td>572</td>
<td>197</td>
<td>(1)</td>
<td>3</td>
<td>5 672</td>
</tr>
<tr>
<td>Impairment raised/(reversed) – unidentified</td>
<td>(64)</td>
<td>127</td>
<td>159</td>
<td>(1)</td>
<td>(3)</td>
<td>218</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9 366</td>
<td>1 813</td>
<td>751</td>
<td>65</td>
<td>—</td>
<td>11 995</td>
</tr>
</tbody>
</table>

**9.1 Statement of comprehensive income charge**

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairments raised during the reporting period</td>
<td>5 890</td>
<td>5 943</td>
</tr>
<tr>
<td>Identified impairments</td>
<td>5 672</td>
<td>5 719</td>
</tr>
<tr>
<td>Unidentified impairments</td>
<td>218</td>
<td>224</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>(777)</td>
<td>(833)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5 113</td>
<td>5 110</td>
</tr>
</tbody>
</table>

**10. Loans to Group companies**

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fellow subsidiaries</td>
<td>23 850</td>
<td>17 740</td>
</tr>
</tbody>
</table>

**Note**

1 The segmental break-down has changed as a result of the change in the reporting structure in line with IFRS 8, refer to note 51.
Bank

11. Investments in associates and joint ventures

Unlisted investments

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Rm</td>
<td>2014 Rm</td>
</tr>
<tr>
<td>962</td>
<td>839</td>
</tr>
</tbody>
</table>

11.1 Movement in carrying value of associates and joint ventures accounted for under the equity method

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting</td>
<td>839</td>
</tr>
<tr>
<td>period</td>
<td>694</td>
</tr>
<tr>
<td>Share of current reporting period post-tax</td>
<td>136</td>
</tr>
<tr>
<td>results</td>
<td>147</td>
</tr>
<tr>
<td>Share of current reporting period results</td>
<td>183</td>
</tr>
<tr>
<td>before taxation</td>
<td>201</td>
</tr>
<tr>
<td>Taxation on current reporting period results</td>
<td>(47)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>(13)</td>
</tr>
<tr>
<td>Impairment (refer to note 32)</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>(2)</td>
</tr>
<tr>
<td>Balance at the end of the reporting period</td>
<td>962</td>
</tr>
<tr>
<td></td>
<td>839</td>
</tr>
</tbody>
</table>

11.2 Share of associates and joint ventures

The following information is presented in respect of associates and joint ventures accounted for under the equity method:

<table>
<thead>
<tr>
<th></th>
<th>Associates</th>
<th>Joint ventures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015 Rm</td>
<td>2014 Rm</td>
</tr>
<tr>
<td>Post-tax profit from continuing operations</td>
<td>9</td>
<td>17</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>9</td>
<td>17</td>
</tr>
</tbody>
</table>

There were no cumulative unrecognised share of losses for associates and joint ventures for the current and previous reporting periods.

11.3 Analysis of carrying value of associates and joint ventures accounted for under the equity method

Unlisted investments

<table>
<thead>
<tr>
<th>Shares at cost</th>
<th>Bank share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associates</td>
<td>100 Rm</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>862 Rm</td>
</tr>
<tr>
<td>Total</td>
<td>962 Rm</td>
</tr>
</tbody>
</table>

Bank

11.4 Carrying value of associates and joint ventures

<table>
<thead>
<tr>
<th>Equity accounted</th>
<th>Associates</th>
<th>Joint ventures</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>230 Rm</td>
<td>732 Rm</td>
<td>962 Rm</td>
</tr>
<tr>
<td>Designated at fair value through profit or loss</td>
<td>22 Rm</td>
<td>555 Rm</td>
<td>577 Rm</td>
</tr>
<tr>
<td>2015</td>
<td>252 Rm</td>
<td>1 287 Rm</td>
<td>1 539 Rm</td>
</tr>
</tbody>
</table>

During the current reporting period, the Bank acquired additional shares in a non-core joint venture, previously designated at fair value through profit and loss for R14m, resulting in the Bank obtaining control of the entity.

Refer to note 42.6 for additional disclosure of the Bank’s investments in associates and joint ventures.

The investments in associates and joint ventures designated at fair value through profit or loss are disclosed in note 3.

There were no acquisitions or disposals of investments in associates and joint ventures in the current reporting period.
Notes to the consolidated financial statements
for the reporting period ended 31 December

12. Investment properties

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>252</td>
<td>240</td>
</tr>
<tr>
<td>Additions</td>
<td>2</td>
<td>—</td>
</tr>
<tr>
<td>Additions through business combinations (refer to note 50.1)</td>
<td>292</td>
<td>—</td>
</tr>
<tr>
<td>Change in fair value (refer to notes 30 and 31)</td>
<td>(73)</td>
<td>(8)</td>
</tr>
<tr>
<td>Disposals</td>
<td>(32)</td>
<td>20</td>
</tr>
<tr>
<td>Foreign exchange movements</td>
<td>77</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance at the end of the reporting period</strong></td>
<td><strong>518</strong></td>
<td><strong>252</strong></td>
</tr>
</tbody>
</table>

Investment properties comprise a number of properties leased to third parties for either commercial or residential use. Each of the leases contain an initial rental period ranging from one to ten years, depending on the use of the building being leased. Subsequent renewals are negotiated with the lessee. No contingent rentals are charged.

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Accumulated depreciation and/or impairments</td>
<td>Carrying value</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>6 038</td>
<td>(3 096)</td>
</tr>
<tr>
<td>Freehold property</td>
<td>6 169</td>
<td>(333)</td>
</tr>
<tr>
<td>Furniture and other equipment</td>
<td>4 417</td>
<td>(2 241)</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16 627</strong></td>
<td><strong>(5 672)</strong></td>
</tr>
</tbody>
</table>

13. Property and equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Accumulated depreciation and/or impairments</td>
<td>Carrying value</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>6 038</td>
<td>(3 096)</td>
</tr>
<tr>
<td>Freehold property</td>
<td>6 169</td>
<td>(333)</td>
</tr>
<tr>
<td>Furniture and other equipment</td>
<td>4 417</td>
<td>(2 241)</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14 475</strong></td>
<td><strong>(5 338)</strong></td>
</tr>
</tbody>
</table>
13. **Property and equipment (continued)**

<table>
<thead>
<tr>
<th>Bank 2015</th>
<th>Opening balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Depreciation</th>
<th>Impairment charge</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td><strong>Transfer to non-current assets held for sale</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer equipment</td>
<td>2 024</td>
<td>1 569</td>
<td>(17)</td>
<td>—</td>
<td>(634)</td>
<td>—</td>
</tr>
<tr>
<td>Freehold property</td>
<td>4 955</td>
<td>908</td>
<td>(11)</td>
<td>—</td>
<td>(16)</td>
<td>—</td>
</tr>
<tr>
<td>Furniture and other equipment</td>
<td>2 158</td>
<td>616</td>
<td>(96)</td>
<td>—</td>
<td>(502)</td>
<td>—</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>—</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9 137</td>
<td>3 094</td>
<td>(124)</td>
<td>—</td>
<td>(1 152)</td>
<td>—</td>
</tr>
</tbody>
</table>

**Note**

<table>
<thead>
<tr>
<th>Bank 2014</th>
<th>Opening balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Depreciation</th>
<th>Impairment charge</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td><strong>Transfer to non-current assets held for sale</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer equipment</td>
<td>1 689</td>
<td>1 048</td>
<td>(3)</td>
<td>—</td>
<td>(632)</td>
<td>(78)</td>
</tr>
<tr>
<td>Freehold property</td>
<td>4 119</td>
<td>916</td>
<td>(64)</td>
<td>—</td>
<td>(16)</td>
<td>—</td>
</tr>
<tr>
<td>Furniture and other equipment</td>
<td>2 696</td>
<td>220</td>
<td>(57)</td>
<td>(3)</td>
<td>(523)</td>
<td>(175)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8 504</td>
<td>2 184</td>
<td>(124)</td>
<td>(3)</td>
<td>(1 171)</td>
<td>(253)</td>
</tr>
</tbody>
</table>

Computer equipment with a carrying value of Rnil (2014: R14m) are encumbered under finance leases (refer to note 18).

Included in the above additions is R286m (2014: R867m) that relates to expenditure capitalised to the cost of the asset during the course of its construction. During the year under review, an amount of R236m (2014: R80m) was transferred from assets under construction and brought into use.
## 14. Goodwill and intangible assets

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th></th>
<th>2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated</td>
<td>Carrying</td>
<td>Cost</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>amortisation and/or</td>
<td>value</td>
<td>Rm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>impairments Rm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer software development costs</td>
<td>3 005</td>
<td>(1 472)</td>
<td>1 533</td>
<td>2 185</td>
</tr>
<tr>
<td>Customer lists and relationships</td>
<td>482</td>
<td>(119)</td>
<td>363</td>
<td>482</td>
</tr>
<tr>
<td>Goodwill</td>
<td>151</td>
<td>(39)</td>
<td>112</td>
<td>151</td>
</tr>
<tr>
<td>Other</td>
<td>58</td>
<td>(37)</td>
<td>21</td>
<td>53</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3 696</td>
<td>(1 667)</td>
<td>2 029</td>
<td>2 871</td>
</tr>
</tbody>
</table>

### Reconciliation of goodwill and intangible assets

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Amortisation</th>
<th>Impairment charge</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software development costs</td>
<td>887</td>
<td>821</td>
<td>—</td>
<td>(175)</td>
<td>—</td>
<td>1 533</td>
</tr>
<tr>
<td>Customer lists and relationships</td>
<td>395</td>
<td>—</td>
<td>—</td>
<td>(32)</td>
<td>—</td>
<td>363</td>
</tr>
<tr>
<td>Goodwill</td>
<td>112</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>112</td>
</tr>
<tr>
<td>Other</td>
<td>28</td>
<td>6</td>
<td>—</td>
<td>(13)</td>
<td>—</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 422</td>
<td>827</td>
<td>—</td>
<td>(220)</td>
<td>—</td>
<td>2 029</td>
</tr>
</tbody>
</table>

Note 31 32

### Composition of goodwill

<table>
<thead>
<tr>
<th>Absa Vehicle and Management Solutions Proprietary Limited</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>112</td>
<td>112</td>
</tr>
</tbody>
</table>

In considering reasonably possible changes to key assumptions, even if the estimated discount rate and/or growth rate was changed by 2% (2014: 2%), no additional impairment loss would be recognised (2014: no impairment loss).
15. Deferred tax

15.1 Reconciliation of net deferred tax liability

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>908</td>
<td>895</td>
</tr>
<tr>
<td>Deferred tax on amounts charged directly to other comprehensive income and equity</td>
<td>(959)</td>
<td>(114)</td>
</tr>
<tr>
<td>Charge to profit or loss (refer to note 34)</td>
<td>139</td>
<td>128</td>
</tr>
<tr>
<td>Tax effect of translation and other differences</td>
<td>(17)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Balance at the end of the reporting period</strong></td>
<td>71</td>
<td>908</td>
</tr>
</tbody>
</table>

15.2 Deferred tax liability/(asset)

<table>
<thead>
<tr>
<th>Regardless of temporary differences between tax and book value for:</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred tax liability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accruals and provisions</td>
<td>578</td>
<td>1 288</td>
</tr>
<tr>
<td>Fair value adjustments on financial instruments</td>
<td>86</td>
<td>155</td>
</tr>
<tr>
<td>Impairment of loans and advances</td>
<td>(393)</td>
<td>(360)</td>
</tr>
<tr>
<td>Lease and rental debtor allowances</td>
<td>(179)</td>
<td>(155)</td>
</tr>
<tr>
<td>Other differences</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Property allowances</td>
<td>136</td>
<td>80</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>(265)</td>
<td>(230)</td>
</tr>
<tr>
<td>Retirement benefit fund assets and liabilities</td>
<td>152</td>
<td>147</td>
</tr>
<tr>
<td><strong>Deferred tax asset</strong></td>
<td>(44)</td>
<td>(29)</td>
</tr>
<tr>
<td>Impairment of loans and advances</td>
<td>(35)</td>
<td></td>
</tr>
<tr>
<td>Lease and rental debtor allowances</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>Other differences</td>
<td>(7)</td>
<td>(29)</td>
</tr>
<tr>
<td><strong>Net deferred tax liability</strong></td>
<td>71</td>
<td>908</td>
</tr>
</tbody>
</table>

15.3 Future tax relief

The Bank has estimated tax losses of Rnil (2014: Rnil) which are available for set-off against future taxable income. The deferred tax asset of R44m (2014: R29m) includes Rnil (2014: Rnil) relating to tax losses carried forward.

Entities which have suffered a loss in either the current or prior reporting period have deferred tax assets of Rnil (2014: R3m) relating to tax losses carried forward and temporary differences.

16. Deposits from banks

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call deposits</td>
<td>8 331</td>
<td>10 550</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>13 180</td>
<td>8 800</td>
</tr>
<tr>
<td>Foreign currency deposits</td>
<td>11 325</td>
<td>6 520</td>
</tr>
<tr>
<td>Notice deposits</td>
<td>522</td>
<td>810</td>
</tr>
<tr>
<td>Other</td>
<td>5 161</td>
<td>6 199</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>22 507</td>
<td>21 225</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>61 026</td>
<td>54 104</td>
</tr>
</tbody>
</table>
### 17. Trading and hedging portfolio liabilities

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative liabilities (refer to note 52.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity derivatives</td>
<td>117</td>
<td>303</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>893</td>
<td>362</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>3 825</td>
<td>1 494</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>28 180</td>
<td>9 938</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>53 310</td>
<td>29 688</td>
</tr>
<tr>
<td>Short positions</td>
<td>1 242</td>
<td>2 795</td>
</tr>
<tr>
<td>Total trading portfolio liabilities</td>
<td>87 567</td>
<td>44 580</td>
</tr>
<tr>
<td>Hedging portfolio liabilities (refer to note 52.5)</td>
<td>4 531</td>
<td>2 577</td>
</tr>
<tr>
<td>Total</td>
<td>92 098</td>
<td>47 157</td>
</tr>
</tbody>
</table>

### 18. Other liabilities

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td>1 328</td>
<td>1 341</td>
</tr>
<tr>
<td>Audit fee accrual</td>
<td>37</td>
<td>60</td>
</tr>
<tr>
<td>Creditors</td>
<td>6 773</td>
<td>6 732</td>
</tr>
<tr>
<td>Deferred income</td>
<td>232</td>
<td>274</td>
</tr>
<tr>
<td>Liabilities under finance leases</td>
<td>—</td>
<td>14</td>
</tr>
<tr>
<td>Settlement balances</td>
<td>9 575</td>
<td>4 568</td>
</tr>
<tr>
<td>Share-based payment liability (refer to note 49)</td>
<td>361</td>
<td>820</td>
</tr>
<tr>
<td>Total</td>
<td>18 306</td>
<td>13 809</td>
</tr>
</tbody>
</table>
19. **Provisions**

<table>
<thead>
<tr>
<th>Provision Type</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>1 289</td>
<td>1 857</td>
</tr>
<tr>
<td>Additions</td>
<td>602</td>
<td>470</td>
</tr>
<tr>
<td>Amounts used</td>
<td>(534)</td>
<td>(334)</td>
</tr>
<tr>
<td>Reversals</td>
<td>(10)</td>
<td>(81)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 347</td>
<td>623</td>
</tr>
</tbody>
</table>

Provisions expected to be settled within no more than 12 months after the reporting date were **R1 797m** (2014: **R1 634m**).

Sundry provisions are made with respect to conduct and fraud cases, litigation, onerous contracts and insurance claims.

20. **Deposits due to customers**

<table>
<thead>
<tr>
<th>Deposit Type</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call deposits</td>
<td>72 130</td>
<td>56 985</td>
</tr>
<tr>
<td>Cheque account deposits</td>
<td>150 964</td>
<td>146 648</td>
</tr>
<tr>
<td>Credit card deposits</td>
<td>2 002</td>
<td>1 932</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>131 167</td>
<td>131 382</td>
</tr>
<tr>
<td>Foreign currency deposits</td>
<td>26 168</td>
<td>21 723</td>
</tr>
<tr>
<td>Notice deposits</td>
<td>48 954</td>
<td>49 764</td>
</tr>
<tr>
<td>Other</td>
<td>2 123</td>
<td>2 208</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>4 620</td>
<td>2 165</td>
</tr>
<tr>
<td>Saving and transmission deposits</td>
<td>122 522</td>
<td>108 849</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>560 650</td>
<td>521 656</td>
</tr>
</tbody>
</table>

Other deposits due to customers include deposits due on structured deals, preference investments on behalf of customers and unclaimed deposits.

21. **Debt securities in issue**

<table>
<thead>
<tr>
<th>Security Type</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial paper</td>
<td>2 096</td>
<td>—</td>
</tr>
<tr>
<td>Credit linked notes</td>
<td>11 597</td>
<td>8 823</td>
</tr>
<tr>
<td>Floating rate notes</td>
<td>54 722</td>
<td>41 524</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>32 842</td>
<td>29 567</td>
</tr>
<tr>
<td>Other</td>
<td>1 006</td>
<td>319</td>
</tr>
<tr>
<td>Promissory notes</td>
<td>1 232</td>
<td>949</td>
</tr>
<tr>
<td>Senior notes</td>
<td>24 703</td>
<td>23 398</td>
</tr>
<tr>
<td>Structured notes and bonds</td>
<td>255</td>
<td>435</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>128 453</td>
<td>105 015</td>
</tr>
</tbody>
</table>
22. **Borrowed funds**

Subordinated callable notes issued by Absa Limited

The following subordinated debt instruments qualify as secondary capital in terms of the Banks Act.

<table>
<thead>
<tr>
<th>Interest rate</th>
<th>Final maturity date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,10%</td>
<td>27 March 2020</td>
<td>i</td>
</tr>
<tr>
<td>8,295%</td>
<td>21 November 2023</td>
<td>ii</td>
</tr>
<tr>
<td>10,05%</td>
<td>05 February 2025</td>
<td>iii</td>
</tr>
<tr>
<td>10,28%</td>
<td>03 May 2022</td>
<td>iv</td>
</tr>
<tr>
<td>10,835%</td>
<td>19 November 2024</td>
<td>v</td>
</tr>
<tr>
<td>11,365%</td>
<td>04 September 2025</td>
<td>vi</td>
</tr>
<tr>
<td>11,40%</td>
<td>29 September 2025</td>
<td>vii</td>
</tr>
<tr>
<td>11,81%</td>
<td>03 September 2027</td>
<td>viii</td>
</tr>
</tbody>
</table>

**Three-month Johannesburg Interbank Agreed Rate**

<table>
<thead>
<tr>
<th>Interest rate</th>
<th>Final maturity date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(&quot;JIBAR&quot;) + 2,10%</td>
<td>03 May 2022</td>
<td>ix</td>
</tr>
<tr>
<td>Three-month JIBAR + 1,95%</td>
<td>21 November 2022</td>
<td>x</td>
</tr>
<tr>
<td>Three-month JIBAR + 2,05%</td>
<td>21 November 2023</td>
<td>xi</td>
</tr>
<tr>
<td>Three-month JIBAR + 3,30%</td>
<td>19 November 2024</td>
<td>xii</td>
</tr>
<tr>
<td>Three-month JIBAR + 3,50%</td>
<td>05 February 2025</td>
<td>xiii</td>
</tr>
<tr>
<td>Three-month JIBAR + 3,50%</td>
<td>04 September 2025</td>
<td>xiv</td>
</tr>
<tr>
<td>Three-month JIBAR + 3,60%</td>
<td>03 September 2027</td>
<td>xv</td>
</tr>
</tbody>
</table>

**Consumer Price Index ("CPI") linked notes,**

fixed at the following coupon rates: 5,50% | 07 December 2028 | xvi | 1 500 | 1 500 |

**Accrued interest** | 682 | 572 |

**Fair value adjustments on total subordinated debt instruments** | (228) | (37) |

**Total** | 12 954 | 10 535 |

---

i  The 8,10% fixed rate notes were redeemed in full by Absa Bank Limited on 27 March 2015. Interest was paid semi-annually in arrears on 27 March and 27 September of each year.

ii  The 8,295% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 21 November 2018. Interest is paid semi-annually in arrears on 21 May and 21 November of each year. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 21 November 2018. There is no step-up in the coupon rate if Absa Bank Limited does not exercise the redemption.

iii  The 10,05% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 5 February 2020. Interest is paid semi-annually in arrears on 5 February and 5 August. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 5 February 2020. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

iv  The 10,28% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 3 May 2017. Interest is paid semi-annually in arrears on 3 May and 3 November of each year, provided that the last date for payment shall be 3 May 2017. If Absa Bank Limited does not exercise the redemption option, interest is payable thereafter at a floating rate of three-month JIBAR plus 4,10% quarterly in arrears on 3 August, 3 November, 3 February and 3 May.

v  The 10,835% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 19 November 2019. Interest is paid semi-annually in arrears on 19 May and 19 November. Absa Bank Limited has an option to exercise the redemption on any interest payment date after the 19 November 2019. There is no step-up in the coupon rate if Absa Bank Limited does not exercise the redemption.

vi  The 11,365% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 4 September 2020. Interest is paid semi-annually in arrears on 4 March and 4 September. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 4 September 2020. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

vii  The 11,40% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 29 September 2020. Interest is paid semi-annually in arrears on 29 March and 29 September. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 29 September 2020. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.
22. **Borrowed funds (continued)**

viii  The 11.81% fixed rate notes may be redeemed in full at the option of Absa Bank Limited on 3 September 2022. Interest is paid semi-annually in arrears on 3 March and 3 September. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 3 September 2022. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

ix  The three-month JIBAR plus 2,10% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 3 May 2017. Interest is paid quarterly on 3 August, 3 November, 3 February and 3 May of each year, provided that the last date for payment shall be 3 May 2017. If Absa Bank Limited does not exercise the redemption option, then the coupon rate payable after 3 May 2017 reprices from three-month JIBAR plus 2, 10% to three-month JIBAR plus 4,10%.

x  The three-month JIBAR plus 1,95% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 21 November 2017. Interest is paid quarterly in arrears on 21 February, 21 May, 21 August and 21 November of each year. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 21 November 2017. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xi  The three-month JIBAR plus 2,05% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 21 November 2017. Interest is paid quarterly on 21 February, 21 May, 21 August and 21 November of each year. Absa Bank Limited has an option to exercise the redemption on any interest payment date after 21 November 2017. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xii  The three-month JIBAR plus 3,30% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 19 November 2019. Interest is paid quarterly in arrears on 19 February, 19 May, 19 August and 19 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 19 November 2019. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xiii  The three-month JIBAR plus 3,50% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 5 February 2020. Interest is paid quarterly in arrears on 5 February, 5 May, 5 August and 5 November. Absa Bank Limited has the option to exercise the redemption on any interest payment date after 5 February 2020. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xiv  The three-month JIBAR plus 3,50% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 4 September 2020. Interest is paid quarterly in arrears on 4 March, 4 June, 4 September and 4 December. Absa Bank Limited has the option to exercise the redemption on any interest payment date after the 4 September 2020. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xv  The three-month JIBAR plus 3,60% floating rate notes may be redeemed in full at the option of Absa Bank Limited on 3 September 2022. Interest is paid quarterly in arrears on 3 March, 3 June, 3 September and 3 December. Absa Bank Limited has the option to exercise the redemption on any interest payment date after the 3 September 2022. If Absa Bank Limited does not exercise the redemption option, there is no step-up in the coupon rate.

xvi  The 5,50% CPI linked notes may be redeemed in full at the option of Absa Bank Limited on 7 December 2023. Interest is paid semi-annually in arrears on 7 June and 7 December of each year, provided that the last day of payment shall be 7 December 2023. If Absa Bank Limited does not exercise the redemption option, a coupon step up of 150 basis points (“bps”) shall apply.

Notes i, ii, iv, ix, xi, xvi are listed on the Bond Exchange of South Africa (“BESA”).

In accordance with its MOI, the borrowing powers of Absa Bank Limited are unlimited.
Notes to the consolidated financial statements
for the reporting period ended 31 December

23. Share capital and premium

23.1 Ordinary share capital

<table>
<thead>
<tr>
<th>Authorised</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>320 000 000 (2014: 320 000 000) ordinary shares of R1,00 each</td>
<td>320</td>
<td>320</td>
</tr>
<tr>
<td>250 000 000 (2014: 250 000 000) 'A' ordinary shares of R0,01 each</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Total issued capital</td>
<td>323</td>
<td>323</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issued</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>302 609 359 (2014: 302 609 359) ordinary shares of R1,00 each</td>
<td>303</td>
<td>303</td>
</tr>
<tr>
<td>110 188 222 (2014: 93 541 890) 'A' ordinary shares of R0,01 each</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total issued capital</td>
<td>304</td>
<td>303</td>
</tr>
</tbody>
</table>

Authorised shares
There were no changes to authorised share capital during the current reporting period.

Unissued shares
The unissued shares are under the control of the directors, subject to a limit of 5% of issued ordinary share capital as at the reporting date, in terms of a general authority to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming Barclays Africa Group Limited AGM.

Shares issued during the year under review
An additional 16 646 332 'A' ordinary shares were issued during the current reporting period.

Shares issued during the prior year
An additional 13 034 033 'A' ordinary shares were issued during the prior reporting period.

All shares in issue by the Company were paid in full.

23.2 Preference share capital and premium

<table>
<thead>
<tr>
<th>Authorised</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 000 000 (2014: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0,01 each</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issued</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 944 839 (2014: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0,01 each</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total issued capital</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Share premium</td>
<td>4 643</td>
<td>4 643</td>
</tr>
</tbody>
</table>

| Total issued capital | 4 644 | 4 644 |
24. Other reserves

24.1 Available-for-sale reserve

The available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the instrument is derecognised or impaired, in which case the cumulative amount recognised in other comprehensive income is released to profit or loss.

24.2 Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

24.3 Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

24.4 Capital reserve

The capital reserve arose on the amalgamation of the founding banks of Absa Bank Limited.

24.5 Share-based payment reserve

The reserve comprises the credit to equity for equity-settled share-based payment arrangements in terms of IFRS 2. The standard requires that the expense be charged to profit or loss, while a credit needs to be raised against equity over the vesting period (i.e. the period between the allocation date and the date on which employees will become entitled to their options). When options are exercised, the reserve related to the specific options is transferred to share capital and/or share premium. If the options lapse after vesting, the related reserve is transferred to retained earnings.

24.6 Associates’ and joint ventures’ reserve

The associates’ and joint ventures’ reserve comprises the Bank’s share of its associates’ and/or joint ventures’ reserves.

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and similar income is earned from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Fair value adjustments on hedging instruments</td>
<td>2 365</td>
<td>511</td>
</tr>
<tr>
<td>Investment securities</td>
<td>3 745</td>
<td>5 151</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>743</td>
<td>932</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>52 079</td>
<td>46 724</td>
</tr>
<tr>
<td>Corporate overdrafts and specialised finance loans</td>
<td>442</td>
<td>451</td>
</tr>
<tr>
<td>Credit cards</td>
<td>5 106</td>
<td>4 825</td>
</tr>
<tr>
<td>Foreign currency loans</td>
<td>614</td>
<td>409</td>
</tr>
<tr>
<td>Installment credit agreements</td>
<td>7 338</td>
<td>6 666</td>
</tr>
<tr>
<td>Interest on impaired financial assets</td>
<td>721</td>
<td>641</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>1 135</td>
<td>863</td>
</tr>
<tr>
<td>Microloans</td>
<td>617</td>
<td>500</td>
</tr>
<tr>
<td>Mortgages</td>
<td>21 677</td>
<td>20 919</td>
</tr>
<tr>
<td>Other advances</td>
<td>845</td>
<td>39</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>3 109</td>
<td>2 884</td>
</tr>
<tr>
<td>Overnight finance</td>
<td>1 095</td>
<td>830</td>
</tr>
<tr>
<td>Personal loans and term loans</td>
<td>3 655</td>
<td>3 409</td>
</tr>
<tr>
<td>Preference shares</td>
<td>952</td>
<td>682</td>
</tr>
<tr>
<td>Wholesale overdrafts</td>
<td>4 773</td>
<td>3 606</td>
</tr>
<tr>
<td>Other interest</td>
<td>2 046</td>
<td>1 487</td>
</tr>
<tr>
<td>Total</td>
<td>60 979</td>
<td>54 810</td>
</tr>
</tbody>
</table>

Interest income on “other advances” includes items such as interest on factored debtors’ books.

Other interest and similar income includes items such as interest income on pension fund assets and “gains and losses from banking and trading activities”.

Comparatives on interest earned from money markets amounting to R47m, were reclassified from cash, cash balances and balances with central banks to investment securities in order to align with the classification of these assets.
## Interest and similar income (continued)

### Classification of interest and similar income

<table>
<thead>
<tr>
<th>Source of Interest and Similar Income</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value adjustments on amortised cost and available-for-sale financial assets held in a fair value hedging relationship (refer to note 52.8)</td>
<td>(1 591)</td>
<td>751</td>
</tr>
<tr>
<td>Investment securities</td>
<td>(1 523)</td>
<td>370</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(68)</td>
<td>381</td>
</tr>
<tr>
<td>Fair value adjustments on hedging instruments</td>
<td>2 630</td>
<td>926</td>
</tr>
<tr>
<td>Cash flow hedges (refer to note 52.6)</td>
<td>1 111</td>
<td>1 494</td>
</tr>
<tr>
<td>Economic hedges</td>
<td>75</td>
<td>4</td>
</tr>
<tr>
<td>Fair value hedges (refer to note 52.8)</td>
<td>1 444</td>
<td>(572)</td>
</tr>
<tr>
<td>Interest on financial assets held at amortised cost</td>
<td>57 680</td>
<td>50 623</td>
</tr>
<tr>
<td>Interest on financial assets held as available-for-sale</td>
<td>736</td>
<td>1 474</td>
</tr>
<tr>
<td>Interest on financial assets designated at fair value through profit or loss</td>
<td>1 524</td>
<td>1 036</td>
</tr>
<tr>
<td>Fair value hedging instruments (refer to note 52.8)</td>
<td>(265)</td>
<td>(415)</td>
</tr>
<tr>
<td>Investment securities</td>
<td>1 623</td>
<td>1 135</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>166</td>
<td>316</td>
</tr>
<tr>
<td></td>
<td>60 979</td>
<td>54 810</td>
</tr>
</tbody>
</table>
26. **Interest expense and similar charges**

*Interest expense and similar charges are paid on:*

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowed funds</td>
<td>880</td>
<td>1 114</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>7 463</td>
<td>6 550</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>23 654</td>
<td>21 462</td>
</tr>
<tr>
<td>Call deposits</td>
<td>3 737</td>
<td>3 591</td>
</tr>
<tr>
<td>Cheque account deposits</td>
<td>3 861</td>
<td>3 251</td>
</tr>
<tr>
<td>Credit cards deposits</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>7 515</td>
<td>7 501</td>
</tr>
<tr>
<td>Foreign currency deposits</td>
<td>37</td>
<td>252</td>
</tr>
<tr>
<td>Notice deposits</td>
<td>3 194</td>
<td>3 010</td>
</tr>
<tr>
<td>Other</td>
<td>544</td>
<td>266</td>
</tr>
<tr>
<td>Savings and transmission deposits</td>
<td>4 758</td>
<td>3 583</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>1 292</td>
<td>1 384</td>
</tr>
<tr>
<td>Call deposits</td>
<td>466</td>
<td>394</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>815</td>
<td>987</td>
</tr>
<tr>
<td>Foreign currency deposits</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Fair value adjustments on hedging instruments</td>
<td>573</td>
<td>(457)</td>
</tr>
<tr>
<td>Other</td>
<td>(407)</td>
<td>(1 171)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33 455</td>
<td>28 882</td>
</tr>
</tbody>
</table>

**Classification of interest and similar charges**

Fair value adjustments on amortised cost financial liabilities held in a fair value hedging relationship (refer to note 52.8)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowed funds</td>
<td>153</td>
<td>(99)</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>(735)</td>
<td>(159)</td>
</tr>
<tr>
<td>Fair value adjustments on hedging instruments</td>
<td>717</td>
<td>(214)</td>
</tr>
<tr>
<td>Cash flow hedges (refer to note 52.6)</td>
<td>(135)</td>
<td>(72)</td>
</tr>
<tr>
<td>Economic hedges</td>
<td>10</td>
<td>(49)</td>
</tr>
<tr>
<td>Fair value hedges (refer to note 52.8)</td>
<td>842</td>
<td>(93)</td>
</tr>
<tr>
<td>Interest on financial liabilities designated at fair value through profit or loss</td>
<td>(142)</td>
<td>(182)</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>—</td>
<td>46</td>
</tr>
<tr>
<td>Fair value hedging instruments (refer to note 52.8)</td>
<td>(144)</td>
<td>(243)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33 462</td>
<td>29 536</td>
</tr>
</tbody>
</table>

Other interest and similar charges include items such as interest expense on "gains and losses from banking and trading activities".
27. Net fee and commission income

<table>
<thead>
<tr>
<th>Fees and Commission Income</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset management and other related fees</td>
<td>58</td>
<td>85</td>
</tr>
<tr>
<td>Consulting and administration fees</td>
<td>189</td>
<td>162</td>
</tr>
<tr>
<td>Credit-related fees and commissions</td>
<td>14 311</td>
<td>13 158</td>
</tr>
<tr>
<td>Cheque accounts</td>
<td>4 110</td>
<td>3 818</td>
</tr>
<tr>
<td>Credit cards</td>
<td>1 758</td>
<td>1 275</td>
</tr>
<tr>
<td>Electronic banking</td>
<td>4 707</td>
<td>4 300</td>
</tr>
<tr>
<td>Other</td>
<td>1 445</td>
<td>1 478</td>
</tr>
<tr>
<td>Savings accounts</td>
<td>2 291</td>
<td>2 287</td>
</tr>
<tr>
<td>Insurance commission received</td>
<td>524</td>
<td>504</td>
</tr>
<tr>
<td>Investment banking fees</td>
<td>333</td>
<td>312</td>
</tr>
<tr>
<td>Merchant income</td>
<td>1 451</td>
<td>1 623</td>
</tr>
<tr>
<td>Other</td>
<td>114</td>
<td>56</td>
</tr>
<tr>
<td>Trust and other fiduciary service fees</td>
<td>48</td>
<td>64</td>
</tr>
<tr>
<td>Portfolio and other management fees</td>
<td>35</td>
<td>49</td>
</tr>
<tr>
<td>Trust and estate income</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>17 028</td>
<td>15 964</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>(1 296)</td>
<td>(1 189)</td>
</tr>
<tr>
<td>Cheque processing fees</td>
<td>(127)</td>
<td>(131)</td>
</tr>
<tr>
<td>Other</td>
<td>(1 045)</td>
<td>(838)</td>
</tr>
<tr>
<td>Transaction-based legal fees</td>
<td>—</td>
<td>(76)</td>
</tr>
<tr>
<td>Valuation fees</td>
<td>(124)</td>
<td>(144)</td>
</tr>
<tr>
<td></td>
<td>15 732</td>
<td>14 775</td>
</tr>
</tbody>
</table>

The Bank provides custody, trustee corporate administration, investment management and advisory services to third parties, which involves the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Some of these services involve the Bank accepting targets for benchmark levels of returns for the assets under the Bank’s care.

27.1 Included above are net fees and commissions linked to financial instruments not at fair value

<table>
<thead>
<tr>
<th>Fees and Commission Income</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheque accounts</td>
<td>4 110</td>
<td>3 818</td>
</tr>
<tr>
<td>Credit cards</td>
<td>1 758</td>
<td>1 275</td>
</tr>
<tr>
<td>Electronic banking</td>
<td>4 707</td>
<td>4 300</td>
</tr>
<tr>
<td>Other</td>
<td>1 445</td>
<td>827</td>
</tr>
<tr>
<td>Savings accounts</td>
<td>2 291</td>
<td>2 287</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>14 311</td>
<td>12 507</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>(1 032)</td>
<td>(991)</td>
</tr>
<tr>
<td></td>
<td>13 279</td>
<td>11 516</td>
</tr>
</tbody>
</table>

Credit cards includes acquiring and issuing fees.

Other credit related fees and commission income includes service and credit-related fees and commissions on mortgage loans and foreign exchange transactions.

The Bank has reassessed the classification of net fees and commissions linked to financial instruments not at fair value. Electronic Banking income has now been included for both periods presented: comparative has been restated (2014: R4 300m).
### 28. Gains and losses from banking and trading activities

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net losses on investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments designated at fair value through profit or loss</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>Equity instruments designated at fair value through profit or loss</td>
<td>(84)</td>
<td>(191)</td>
</tr>
<tr>
<td>Available-for-sale unwind from reserves</td>
<td>(210)</td>
<td>(44)</td>
</tr>
<tr>
<td><strong>Net trading result</strong></td>
<td>2 343</td>
<td>2 817</td>
</tr>
<tr>
<td>Net trading income excluding the impact of hedge accounting</td>
<td>2 493</td>
<td>3 064</td>
</tr>
<tr>
<td>Ineffective portion of hedges</td>
<td>(150)</td>
<td>(247)</td>
</tr>
<tr>
<td>Cash flow hedges (refer to note 52.6)</td>
<td>(188)</td>
<td>(239)</td>
</tr>
<tr>
<td>Fair value hedges (refer to note 52.8)</td>
<td>38</td>
<td>(8)</td>
</tr>
<tr>
<td><strong>Other gains</strong></td>
<td>30</td>
<td>65</td>
</tr>
<tr>
<td>Profit on sale of subsidiary</td>
<td></td>
<td>44</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 097</td>
<td>2 698</td>
</tr>
</tbody>
</table>

#### Classification of net trading results and other gains on financial instruments

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net trading income excluding the impact of hedge accounting</td>
<td>2 481</td>
<td>3 064</td>
</tr>
<tr>
<td>Gains/(losses) on financial instruments designated at fair value through profit or loss</td>
<td>7 362</td>
<td>(1 111)</td>
</tr>
<tr>
<td>Net losses on financial assets designated at fair value through profit or loss</td>
<td>(1 035)</td>
<td>(329)</td>
</tr>
<tr>
<td>Net gains/(losses) on financial liabilities designated at fair value through profit or loss</td>
<td>8 397</td>
<td>(782)</td>
</tr>
<tr>
<td>(Losses)/gains on financial instruments held for trading</td>
<td>(4 881)</td>
<td>4 175</td>
</tr>
<tr>
<td><strong>Other gains</strong></td>
<td>30</td>
<td>65</td>
</tr>
<tr>
<td>Gains on financial instruments designated at fair value through profit or loss</td>
<td>16</td>
<td>—</td>
</tr>
<tr>
<td>Gains on financial instruments held for trading</td>
<td>14</td>
<td>65</td>
</tr>
</tbody>
</table>

### 29. Gains and losses from investment activities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other gains</strong></td>
<td>11</td>
<td>4</td>
</tr>
</tbody>
</table>
### 30. Other operating income

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange differences, including recycle from other comprehensive income</td>
<td>314</td>
<td>410</td>
</tr>
<tr>
<td>Income from investment properties</td>
<td>9</td>
<td>52</td>
</tr>
<tr>
<td>Rentals</td>
<td>9</td>
<td>52</td>
</tr>
<tr>
<td>Income from maintenance contracts</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Profit on sale of repossessed properties</td>
<td>12</td>
<td>37</td>
</tr>
<tr>
<td>Gross sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>37</td>
<td>102</td>
</tr>
<tr>
<td>(25)</td>
<td></td>
<td>(65)</td>
</tr>
<tr>
<td>Rental income</td>
<td>43</td>
<td>28</td>
</tr>
<tr>
<td>Sundry income</td>
<td>292</td>
<td>352</td>
</tr>
</tbody>
</table>

Sundry income includes service fees levied on asset finance as well as profit on disposal of sundry non-core business activities.

### 31. Operating expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration fees</td>
<td>826</td>
<td>839</td>
</tr>
<tr>
<td>Amortisation of intangible assets (refer to note 14)</td>
<td>220</td>
<td>226</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td>194</td>
<td>191</td>
</tr>
<tr>
<td>Audit fees – current reporting period</td>
<td>130</td>
<td>122</td>
</tr>
<tr>
<td>Audit fees – underprovision</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td>47</td>
<td>46</td>
</tr>
<tr>
<td>Other services</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Cash transportation</td>
<td>756</td>
<td>698</td>
</tr>
<tr>
<td>Depreciation (refer to note 13)</td>
<td>1 152</td>
<td>1 171</td>
</tr>
<tr>
<td>Equipment costs</td>
<td>194</td>
<td>167</td>
</tr>
<tr>
<td>Rentals</td>
<td>56</td>
<td>62</td>
</tr>
<tr>
<td>Maintenance</td>
<td>138</td>
<td>105</td>
</tr>
<tr>
<td>Information technology</td>
<td>1 925</td>
<td>1 845</td>
</tr>
<tr>
<td>Investment properties charges – change in fair value (refer to note 12)</td>
<td>73</td>
<td>8</td>
</tr>
<tr>
<td>Marketing costs</td>
<td>1 462</td>
<td>1 379</td>
</tr>
<tr>
<td>Operating lease expenses on properties</td>
<td>1 269</td>
<td>1 022</td>
</tr>
<tr>
<td>Other</td>
<td>44</td>
<td>416</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>256</td>
<td>273</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1 524</td>
<td>1 272</td>
</tr>
<tr>
<td>Property costs</td>
<td>1 078</td>
<td>1 378</td>
</tr>
<tr>
<td>Staff costs</td>
<td>14 714</td>
<td>13 774</td>
</tr>
<tr>
<td>Bonuses</td>
<td>1 344</td>
<td>1 270</td>
</tr>
<tr>
<td>Other</td>
<td>476</td>
<td>460</td>
</tr>
<tr>
<td>Salaries and current service costs on post-retirement benefits</td>
<td>12 099</td>
<td>11 143</td>
</tr>
<tr>
<td>Deferred cash and share-based payments (refer to note 49)</td>
<td>549</td>
<td>656</td>
</tr>
<tr>
<td>Training costs</td>
<td>246</td>
<td>245</td>
</tr>
<tr>
<td>Telephone and postage</td>
<td>703</td>
<td>650</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 390</td>
<td>25 309</td>
</tr>
</tbody>
</table>

Audit-related fees include fees paid for assurance reports performed on behalf of various regulatory bodies.

Information technology and professional fees include research and development costs totalling R234m (2014: R299m).

Other staff costs include recruitment costs, membership fees to professional bodies, staff parking, redundancy fees, study assistance, staff relocation and refreshment costs.

Other operating expenses include fraud losses, travel and entertainment costs.
### 32. Other impairments

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Reversal)/impairment raised on financial instruments</td>
<td>(43)</td>
<td>17</td>
</tr>
<tr>
<td>Other impairments raised</td>
<td>—</td>
<td>401</td>
</tr>
<tr>
<td>Goodwill (refer to note 14)</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Intangible assets (refer to note 14)</td>
<td>—</td>
<td>127</td>
</tr>
<tr>
<td>Investments in associates and joint ventures (refer to note 11)</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td>Property and equipment (refer to note 13)</td>
<td>—</td>
<td>253</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>18</td>
</tr>
<tr>
<td>Total other impairments</td>
<td>(43)</td>
<td>418</td>
</tr>
</tbody>
</table>

### 33. Indirect taxation

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training levy</td>
<td>118</td>
<td>108</td>
</tr>
<tr>
<td>VAT net of input credits</td>
<td>924</td>
<td>660</td>
</tr>
<tr>
<td>Total indirect taxation</td>
<td>1 042</td>
<td>768</td>
</tr>
</tbody>
</table>

### 34. Taxation expense

#### Current

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign tax</td>
<td>61</td>
<td>44</td>
</tr>
<tr>
<td>South African current tax</td>
<td>3 401</td>
<td>3 550</td>
</tr>
<tr>
<td>South African current tax – previous reporting period</td>
<td>62</td>
<td>(152)</td>
</tr>
<tr>
<td>Total current taxation</td>
<td>3 524</td>
<td>3 442</td>
</tr>
</tbody>
</table>

#### Deferred

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax (refer to note 15.1)</td>
<td>139</td>
<td>128</td>
</tr>
<tr>
<td>Accelerated wear and tear</td>
<td>152</td>
<td>(19)</td>
</tr>
<tr>
<td>Allowances for loan losses</td>
<td>(25)</td>
<td>(107)</td>
</tr>
<tr>
<td>Fair value adjustment</td>
<td>(69)</td>
<td>499</td>
</tr>
<tr>
<td>Other provisions</td>
<td>(49)</td>
<td>(177)</td>
</tr>
<tr>
<td>Other temporary differences</td>
<td>130</td>
<td>(68)</td>
</tr>
<tr>
<td>Total deferred taxation</td>
<td>3 663</td>
<td>3 570</td>
</tr>
</tbody>
</table>

### Reconciliation between operating profit before income tax and the taxation expense

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before income tax</td>
<td>13 710</td>
<td>12 870</td>
</tr>
<tr>
<td>Share of post-tax results of associates and joint ventures (refer to note 11)</td>
<td>(136)</td>
<td>(147)</td>
</tr>
<tr>
<td>Total operating profit before tax</td>
<td>13 574</td>
<td>12 723</td>
</tr>
<tr>
<td>Tax calculated at a tax rate of 28%</td>
<td>3 801</td>
<td>3 562</td>
</tr>
<tr>
<td>Effect of different tax rates in other countries</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>209</td>
<td>178</td>
</tr>
<tr>
<td>Income not subject to tax</td>
<td>(464)</td>
<td>(423)</td>
</tr>
<tr>
<td>Non-taxable portion of capital gains</td>
<td>17</td>
<td>12</td>
</tr>
<tr>
<td>Other</td>
<td>80</td>
<td>233</td>
</tr>
<tr>
<td>Total tax expense</td>
<td>3 663</td>
<td>3 570</td>
</tr>
</tbody>
</table>
35. Earnings per share

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holder, obtained from profit or loss, by the weighted average number of ordinary shares in issue during the reporting period.

Diluted earnings are determined by adjusting the profit or loss attributable to the ordinary equity holder and the weighted average number of ordinary shares in issue for the effects of all dilutive potential shares. There are currently no instruments in issue that would have a dilutive impact.

Basic and diluted earnings attributable to the ordinary equity holder

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings</td>
<td>9 726</td>
<td>8 995</td>
</tr>
<tr>
<td>Diluted earnings</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Weighted average number and diluted number of ordinary shares in issue (millions)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued shares</td>
<td>401,5</td>
<td>386,9</td>
</tr>
<tr>
<td>Effect of shares</td>
<td>396,2</td>
<td>383,1</td>
</tr>
</tbody>
</table>

Basic earnings per ordinary share/diluted earnings per ordinary share (cents)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>2 422,4</td>
<td>2 324,9</td>
</tr>
<tr>
<td>Diluted</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

36. Headline earnings

Headline earnings is determined as follows:

Profit attributable to the ordinary equity holder:

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>9 726</td>
<td>8 995</td>
</tr>
<tr>
<td>Adjustment (69)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IFRS 3 – Goodwill impairment (refer to note 32)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Impairment</td>
<td>(1)</td>
<td>(1)</td>
</tr>
</tbody>
</table>

IFRS 5 – Gains on disposal of non-current assets held for sale

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains</td>
<td>—</td>
<td>(105)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(94)</td>
<td>(13)</td>
</tr>
</tbody>
</table>

IAS 16 – Profit on disposal of property and equipment

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>(17)</td>
<td>(12)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(105)</td>
<td>(16)</td>
</tr>
</tbody>
</table>

IAS 21 – Recycled foreign currency translation reserve

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycled</td>
<td>(267)</td>
<td>(267)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(397)</td>
<td>(397)</td>
</tr>
</tbody>
</table>

IAS 27 – Profit on disposal of subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>(267)</td>
<td>(267)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(397)</td>
<td>(397)</td>
</tr>
</tbody>
</table>

IAS 28 – Impairment of investment in associates and joint ventures (refer to note 32)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Impairment</td>
<td>(44)</td>
<td>(35)</td>
</tr>
</tbody>
</table>

IAS 36 – Impairment of property and equipment (refer to note 32)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment</td>
<td>—</td>
<td>(253)</td>
</tr>
<tr>
<td>Impairment</td>
<td>183</td>
<td></td>
</tr>
</tbody>
</table>

IAS 39 – Release of available-for-sale reserves (refer to note 28)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release</td>
<td>210</td>
<td>44</td>
</tr>
<tr>
<td>Impairment</td>
<td>31</td>
<td></td>
</tr>
</tbody>
</table>

IAS 40 – Change in fair value of investment properties (refer to note 31)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment</td>
<td>73</td>
<td>8</td>
</tr>
<tr>
<td>Impairment</td>
<td>151</td>
<td>8</td>
</tr>
</tbody>
</table>

Headline earnings/diluted headline earnings

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>9 657</td>
<td>8 787</td>
</tr>
<tr>
<td>Impairment</td>
<td>(151)</td>
<td>(8)</td>
</tr>
</tbody>
</table>

Headline earnings per ordinary share (cents)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>2 405,2</td>
<td>2 271,1</td>
</tr>
<tr>
<td>Impairment</td>
<td>(8)</td>
<td>(8)</td>
</tr>
</tbody>
</table>

Diluted headline earnings per ordinary share (cents)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>2 405,2</td>
<td>2 271,1</td>
</tr>
<tr>
<td>Impairment</td>
<td>(8)</td>
<td>(8)</td>
</tr>
</tbody>
</table>

The net amount is reflected after tax.
Notes to the consolidated financial statements
for the reporting period ended 31 December

37. Retirement benefit fund obligations

37.1 Absa Pension Fund

The Absa Pension Fund (“The Fund”) is governed by the Pension Funds Act of 1956, which requires that an actuarial valuation of The Fund be carried out at least every three years. The most recent statutory valuation of The Fund was effected on 31 March 2015 and confirmed that The Fund was in a sound financial position. This valuation was in accordance with the Pension Funds Second Amendment Act of 2001 (“the PF Act”).

The valuation has been performed using the projected unit credit method in respect of the defined benefit portion. The asset ceiling of The Fund is limited to the Employer Surplus Account (“ESA”). According to the Rules and The Fund, the ESA can be used for a number of purposes including funding a deficit in The Fund, enhancing benefits of the fund or enabling a contribution holiday.

In terms of Section 7 of the Pension Fund Act, notwithstanding the rules of a fund, every fund must have a board of trustees consisting of at least four board members, at least 50% of whom the members of the fund have the right to elect. The object of the Board is to direct, control and oversee the operations of a fund in accordance with the applicable laws and the rules of the fund. In carrying out this objective, the Board must take all reasonable steps to ensure that the interests of members in terms of the rules of the fund and the provisions of this Act are protected at all times, must act with due care, diligence and good faith; and avoid conflicts of interest. The Board must act independently and with impartiality in respect of all members and beneficiaries. The members of the Board have a fiduciary duty to members and beneficiaries in respect of accrued benefits or any amount accrued to provide a benefit, as well as a fiduciary duty to the fund, to ensure that the fund is financially sound and is responsibly managed and governed in accordance with the rules and the PF Act.

During the current reporting period, the rules of The Fund have been amended and now provide a retiring member who had joined the Fund before 1 July 2015 the choice to receive either a conventional annuity or a living annuity from the Fund (as was previously the case) or to purchase a pension from a registered insurer (new option). Members joining the Fund on or after 1 July 2015 have the choice to receive a living annuity from the Fund or to purchase a pension from a registered insurer.

Should a retiree elect a conventional annuity, the Bank is thereafter exposed to longevity and other actuarial risk. The conventional annuity is calculated based on the defined contribution plan assets at the retirement date. The Bank is therefore not exposed to any asset return risk prior to the election of this option i.e. the retirement date. The classification rules within IAS 19 require that, where the employer is exposed to any actuarial risk, the entire fund be classified as a defined benefit plan. The valuation of the option is included in the defined benefit obligation. The assets and liabilities of the defined benefit active members are separately presented. Pensioners who have elected to receive a living annuity as well as members who joined the fund on or after 1 July 2015 have been excluded from the IAS 19 disclosures as the employer is not exposed to any longevity or other actuarial risk in respect of these members. Plan assets and liabilities relating to these pensioners that have elected to receive a living annuity, amount to R3 315,1m (2014: R2 992,3m).

The Absa Pension Fund (“The Fund”) is governed by the Pension Funds Act of 1956, which requires that an actuarial valuation of The Fund be carried out at least every three years. The most recent statutory valuation of The Fund was effected on 31 March 2015 and confirmed that The Fund was in a sound financial position. This valuation was in accordance with the Pension Funds Second Amendment Act of 2001 (“the PF Act”).

The valuation has been performed using the projected unit credit method in respect of the defined benefit portion. The asset ceiling of The Fund is limited to the Employer Surplus Account (“ESA”). According to the Rules and The Fund, the ESA can be used for a number of purposes including funding a deficit in The Fund, enhancing benefits of the fund or enabling a contribution holiday.

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During the current reporting period, the rules of The Fund have been amended and now provide a retiring member who had joined the Fund before 1 July 2015 the choice to receive either a conventional annuity or a living annuity from the Fund (as was previously the case) or to purchase a pension from a registered insurer (new option). Members joining the Fund on or after 1 July 2015 have the choice to receive a living annuity from the Fund or to purchase a pension from a registered insurer.

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The benefits provided by the defined benefit portion of the plan are based on a formula, taking into account years of membership and remuneration levels. The benefits provided by the defined contribution portion of the plan are determined by accumulated contributions and return on investments.

While The Fund as a whole has been classified as a defined benefit fund for IAS 19 purposes, the defined contribution portion provides its members with an asset-based return. The Bank has measured the liability for the defined contribution portion of the plan at the fair value of the assets upon which the benefits are based.

The Fund is financed by employer and employee contributions and investment income. Employer contributions in respect of the defined benefit portion are based on actuarial advice. The expense or income recorded in profit or loss includes the current service cost, interest income on plan assets as well as interest expense on the defined benefit obligation and on the irrecoverable surplus. It is the Bank’s policy to ensure that The Fund is adequately funded to provide for the benefits due to members, and particularly to ensure that any shortfall with regard to the defined benefit portion will be met by way of additional contributions.

The Fund investments are managed on a Liability Driven Investment (“LDI”) mandate. This mandate has been introduced in the current year as previously, the Fund was managed on a target return basis. The primary objective of the portfolio managed for the defined benefit section of The Fund to achieve is a net real return of 4,5% per annum, measured over rolling 36-month periods.

The Fund investments are managed on a Liability Driven Investment (“LDI”) mandate. This mandate has been introduced in the current year as previously, the Fund was managed on a target return basis. The primary objective of the portfolio managed for the defined benefit section of The Fund to achieve is a net real return of 4,5% per annum, measured over rolling 36-month periods.

The benefits provided by the defined benefit portion of the plan are based on a formula, taking into account years of membership and remuneration levels. The benefits provided by the defined contribution portion of the plan are determined by accumulated contributions and return on investments.

While The Fund as a whole has been classified as a defined benefit fund for IAS 19 purposes, the defined contribution portion provides its members with an asset-based return. The Bank has measured the liability for the defined contribution portion of the plan at the fair value of the assets upon which the benefits are based.

The Fund is financed by employer and employee contributions and investment income. Employer contributions in respect of the defined benefit portion are based on actuarial advice. The expense or income recorded in profit or loss includes the current service cost, interest income on plan assets as well as interest expense on the defined benefit obligation and on the irrecoverable surplus. It is the Bank’s policy to ensure that The Fund is adequately funded to provide for the benefits due to members, and particularly to ensure that any shortfall with regard to the defined benefit portion will be met by way of additional contributions.

The Fund investments are managed on a Liability Driven Investment (“LDI”) mandate. This mandate has been introduced in the current year as previously, the Fund was managed on a target return basis. The primary objective of the portfolio managed for the defined benefit section of The Fund to achieve is a net real return of 4,5% per annum, measured over rolling 36-month periods.
## Notes to the consolidated financial statements
for the reporting period ended 31 December

### 37. Retirement benefit fund obligations (continued)

#### 37.1 Absa Pension Fund (continued)

#### 37.1.1 Reconciliation of net defined benefit plan surplus

<table>
<thead>
<tr>
<th>Present value of funded obligations</th>
<th>2015 (Rm)</th>
<th>2014 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit portion</td>
<td>(24 398)</td>
<td>(23 236)</td>
</tr>
<tr>
<td>Defined contribution portion</td>
<td>(7 390)</td>
<td>(7 372)</td>
</tr>
<tr>
<td>Fair value of the plan assets</td>
<td>(17 008)</td>
<td>(15 864)</td>
</tr>
<tr>
<td>Defined benefit portion</td>
<td>26 341</td>
<td>24 762</td>
</tr>
<tr>
<td>Defined contribution portion</td>
<td>9 333</td>
<td>8 898</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funded status</th>
<th>2015 (Rm)</th>
<th>2014 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irrecoverable surplus (effect of asset ceiling)</td>
<td>1 943</td>
<td>1 526</td>
</tr>
<tr>
<td>Net surplus arising from the defined benefit obligation</td>
<td>466</td>
<td>466</td>
</tr>
</tbody>
</table>

#### 37.1.2 Reconciliation of movement in the funded obligation

<table>
<thead>
<tr>
<th>Balance at the beginning of the reporting period</th>
<th>2015 (Rm)</th>
<th>2014 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit portion</td>
<td>(23 236)</td>
<td>(21 846)</td>
</tr>
<tr>
<td>Defined contribution portion</td>
<td>(7 372)</td>
<td>(7 347)</td>
</tr>
<tr>
<td>Reconciling items – defined benefit portion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial gains – financial</td>
<td>378</td>
<td>398</td>
</tr>
<tr>
<td>Actuarial (losses)/gains – experience adjustments</td>
<td>(30)</td>
<td>4</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>553</td>
<td>518</td>
</tr>
<tr>
<td>Current service costs</td>
<td>(48)</td>
<td>(42)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(588)</td>
<td>(616)</td>
</tr>
<tr>
<td>Defined contribution member transfers</td>
<td>(283)</td>
<td>(287)</td>
</tr>
<tr>
<td>Reconciling items – defined contribution portion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in obligation linked to plan assets return</td>
<td>(1 251)</td>
<td>(1 599)</td>
</tr>
<tr>
<td>Employer contribution</td>
<td>(878)</td>
<td>(760)</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>(617)</td>
<td>(535)</td>
</tr>
<tr>
<td>Disbursements and member transfers</td>
<td>1 602</td>
<td>1 529</td>
</tr>
<tr>
<td>Balance at the end of the reporting period</td>
<td>(24 398)</td>
<td>(23 236)</td>
</tr>
</tbody>
</table>
37. Retirement benefit fund obligations (continued)

37.1 Absa Pension Fund (continued)

37.1.3 Reconciliation of movement in the plan assets

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>24 762</td>
<td>22 868</td>
</tr>
<tr>
<td>Defined benefit portion</td>
<td>8 898</td>
<td>8 369</td>
</tr>
<tr>
<td>Defined contribution portion</td>
<td>15 864</td>
<td>14 499</td>
</tr>
</tbody>
</table>

Reconciling items – defined benefit portion

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits paid</td>
<td>(553)</td>
<td>(518)</td>
</tr>
<tr>
<td>Interest income</td>
<td>710</td>
<td>702</td>
</tr>
<tr>
<td>Return on plan assets in excess of interest</td>
<td>(5)</td>
<td>58</td>
</tr>
<tr>
<td>Defined contribution member transfers</td>
<td>283</td>
<td>287</td>
</tr>
</tbody>
</table>

Reconciling items – defined contribution portion

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on plan assets</td>
<td>1 251</td>
<td>1 599</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>878</td>
<td>760</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>617</td>
<td>535</td>
</tr>
<tr>
<td>Disbursements and member transfers</td>
<td>(1 602)</td>
<td>(1 529)</td>
</tr>
</tbody>
</table>

Balance at the end of the reporting period | 26 341 | 24 762 |

37.1.4 Reconciliation of movement in the irrecoverable surplus

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>(1 060)</td>
</tr>
<tr>
<td>Interest on irrecoverable surplus</td>
<td>(86)</td>
</tr>
<tr>
<td>Changes in the irrecoverable surplus in excess of interest</td>
<td>(331)</td>
</tr>
</tbody>
</table>

Balance at the end of the reporting period | (1 477) | (1 060) |

37.1.5 Nature of the pension fund assets

Plan assets relating to the defined benefit plan

<table>
<thead>
<tr>
<th></th>
<th>Debt instruments Rm</th>
<th>Equity instruments Rm</th>
<th>Other instruments Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit portion</td>
<td>4 391</td>
<td>4 341</td>
<td>601</td>
<td>9 333</td>
</tr>
<tr>
<td>Quoted fair value</td>
<td>3 734</td>
<td>4 301</td>
<td>373</td>
<td>8 408</td>
</tr>
<tr>
<td>Unquoted fair value</td>
<td>578</td>
<td>—</td>
<td>136</td>
<td>714</td>
</tr>
<tr>
<td>BAGL transferable financial instruments</td>
<td>79</td>
<td>40</td>
<td>—</td>
<td>119</td>
</tr>
<tr>
<td>Investment in listed property entities/funds</td>
<td>—</td>
<td>—</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>Defined contribution portion</td>
<td>2 985</td>
<td>9 400</td>
<td>4 623</td>
<td>17 008</td>
</tr>
<tr>
<td>Quoted fair value</td>
<td>1 526</td>
<td>9 340</td>
<td>3 229</td>
<td>14 095</td>
</tr>
<tr>
<td>Unquoted fair value</td>
<td>1 044</td>
<td>—</td>
<td>469</td>
<td>1 513</td>
</tr>
<tr>
<td>BAGL transferable financial instruments</td>
<td>415</td>
<td>60</td>
<td>161</td>
<td>636</td>
</tr>
<tr>
<td>Investments in listed property entities/funds</td>
<td>—</td>
<td>—</td>
<td>764</td>
<td>764</td>
</tr>
</tbody>
</table>

| | 7 376 | 13 741 | 5 224 | 26 341 |
37. Retirement benefit fund obligations (continued)

37.1 Absa Pension Fund (continued)

Plan assets relating to the defined benefit plan

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debt instruments</td>
<td>Equity instruments</td>
<td>Other instruments</td>
</tr>
<tr>
<td>Defined benefit portion</td>
<td>2 682</td>
<td>5 304</td>
<td>912</td>
</tr>
<tr>
<td>Quoted fair value</td>
<td>1 484</td>
<td>5 297</td>
<td>247</td>
</tr>
<tr>
<td>Unquoted fair value</td>
<td>982</td>
<td>—</td>
<td>228</td>
</tr>
<tr>
<td>BAGL transferable financial instruments</td>
<td>216</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Investment in listed property entities/funds</td>
<td>—</td>
<td>—</td>
<td>433</td>
</tr>
<tr>
<td>Defined contribution portion</td>
<td>3 167</td>
<td>8 542</td>
<td>4 155</td>
</tr>
<tr>
<td>Quoted fair value</td>
<td>1 438</td>
<td>8 486</td>
<td>2 602</td>
</tr>
<tr>
<td>Unquoted fair value</td>
<td>1 334</td>
<td>41</td>
<td>703</td>
</tr>
<tr>
<td>BAGL transferable financial instruments</td>
<td>395</td>
<td>15</td>
<td>247</td>
</tr>
<tr>
<td>Investments in listed property entities/funds</td>
<td>—</td>
<td>—</td>
<td>603</td>
</tr>
</tbody>
</table>

The “Other instruments” category of plan assets for the Absa Pension Fund comprises mainly cash and money market investments, with the remainder relating to property investments in property entities/funds.

37.1.6 Movements in the defined benefit plan presented in the statement of comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td></td>
</tr>
<tr>
<td>Recognised in profit or loss:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>(36)</td>
<td>(39)</td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>48</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Recognised in other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial (gains)/losses – financial</td>
<td>(378)</td>
<td>(398)</td>
<td></td>
</tr>
<tr>
<td>Actuarial (gains)/losses – experience adjustments</td>
<td>30</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td>Return on the plan assets in excess of interest</td>
<td>5</td>
<td>(58)</td>
<td></td>
</tr>
<tr>
<td>Changes in the irrecoverable surplus in excess of interest</td>
<td>331</td>
<td>457</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(12)</td>
<td>(3)</td>
<td></td>
</tr>
</tbody>
</table>

37.1.7 Actuarial assumptions used:

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discount rate (%) p.a.</td>
<td>10,1</td>
<td>8,1</td>
<td></td>
</tr>
<tr>
<td>Inflation rate (%) p.a.</td>
<td>7,7</td>
<td>5,8</td>
<td></td>
</tr>
<tr>
<td>Expected rate on the plan assets (%) p.a.</td>
<td>11,5</td>
<td>9,8</td>
<td></td>
</tr>
<tr>
<td>Future salary increases (%) p.a.</td>
<td>8,7</td>
<td>6,8</td>
<td></td>
</tr>
<tr>
<td>Average life expectancy in years of pensioner retiring at 60 – Male</td>
<td>21,2</td>
<td>21,1</td>
<td></td>
</tr>
<tr>
<td>Average life expectancy in years of pensioner retiring at 60 – Female</td>
<td>26,1</td>
<td>26,0</td>
<td></td>
</tr>
</tbody>
</table>
37. Retirement benefit fund obligations (continued)

37.1 Absa Pension Fund (continued)

37.1.8 Sensitivity analysis of the significant actuarial assumptions

<table>
<thead>
<tr>
<th>Significant actuarial assumption</th>
<th>Bank 2015</th>
<th>Increase/ (decrease) on defined benefit obligation Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in discount rate (%)</td>
<td>0.5</td>
<td>(467)</td>
</tr>
<tr>
<td>Increase in inflation (%)</td>
<td>0.5</td>
<td>512</td>
</tr>
<tr>
<td>Increase in life expectancy (years)</td>
<td>1</td>
<td>314</td>
</tr>
</tbody>
</table>

2014

| Increase in discount rate (%)    | 0.5      | (451)                                               |
| Increase in inflation (%)        | 0.5      | 493                                                 |
| Increase in life expectancy (years) | 1        | 308                                                 |

37.1.9 Sensitivity analysis of the significant assumptions

Sensitivity analysis

The aforementioned sensitivity analysis indicates how changes in significant actuarial assumptions would affect the defined benefit portion of R7 390m (2014: R7 372m).

The sensitivities may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another. For the purpose of the sensitivity analysis, it is assumed that any change in inflation impacts other inflation-dependent assumptions, i.e. certain pension increases and salary growth. In presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period.

The defined contribution obligation of R17 008m (2014: R15 864m) does not give rise to any actuarial risks as the measurement is derived from the defined contribution plan assets.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.
## Notes to the consolidated financial statements
for the reporting period ended 31 December

### 38. Dividends per share

#### Dividends declared to ordinary equity holders

<table>
<thead>
<tr>
<th>Dividends declared to ordinary equity holders</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim dividend (29 July 2015: 631.07 cents) (30 July 2014: 593.35 cents)</td>
<td>2 500</td>
</tr>
<tr>
<td>Special dividend (30 September 2015: 745.15 cents) (31 July 2015: 504.86 cents) (5 December 2014: 516.10 cents) (8 April 2014: 638.38 cents)</td>
<td>5 000</td>
</tr>
<tr>
<td>Final dividend (1 March 2016: 484,498,966 cents) (3 March 2015: 912,782,686 cents)</td>
<td>2 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9 500</strong></td>
</tr>
</tbody>
</table>

#### Dividends declared to preference equity holders

<table>
<thead>
<tr>
<th>Dividends declared to preference equity holders</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim dividend (29 July 2015: 3 282,8082 cents) (30 July 2014: 3 197,4658 cents)</td>
<td>162</td>
</tr>
<tr>
<td>Final dividend (1 March 2016: 3 395,47945 cents) (3 March 2015: 3 210,8904 cents)</td>
<td>168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>330</strong></td>
</tr>
</tbody>
</table>

#### Dividends paid to ordinary equity holders

<table>
<thead>
<tr>
<th>Dividends paid to ordinary equity holders</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final dividend (3 March 2015: 912,782,686 cents) (11 February 2014: 754.3 cents)</td>
<td>3 616</td>
</tr>
<tr>
<td>Interim dividend (29 July 2015: 631.07 cents) (30 July 2014: 593.35 cents)</td>
<td>2 500</td>
</tr>
<tr>
<td>Special dividend (30 September 2015: 745.15 cents) (31 July 2015: 504.86 cents) (5 December 2014: 516.10 cents) (8 April 2014: 638.38 cents)</td>
<td>5 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11 116</strong></td>
</tr>
</tbody>
</table>

#### Dividends paid to preference equity holders

<table>
<thead>
<tr>
<th>Dividends paid to preference equity holders</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final dividend (3 March 2015: 3 210,8904 cents) (11 February 2014: 2 979.3151 cents)</td>
<td>159</td>
</tr>
<tr>
<td>Interim dividend (29 July 2015: 3 282,8082 cents) (30 July 2014: 3 197,4658 cents)</td>
<td>162</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>321</strong></td>
</tr>
</tbody>
</table>

### 39. Securities borrowed/lent and repurchase/reverse repurchase agreements

#### 39.1 Reverse repurchase agreements and securities borrowed

As part of the reverse repurchase agreements, the Bank has received securities as collateral that are allowed to be sold or repledged. The fair value of these securities at the reporting date amounts to R44,972m (2014: R21,036m) of which Rnil (2014: Rnil) have been sold or repledged.

#### 39.2 Repurchase agreements and securities lent

<table>
<thead>
<tr>
<th>Bank</th>
<th>Carrying amount of transferred assets Rm</th>
<th>Carrying amount of associated liabilities Rm</th>
<th>Fair value of transferred assets Rm</th>
<th>Fair value of associated liabilities Rm</th>
<th>Net fair value Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt instruments</td>
<td>27 128</td>
<td>(27 125)</td>
<td>27 128</td>
<td>(27 125)</td>
<td>3</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>2 001</td>
<td>(1 231)</td>
<td>2 001</td>
<td>(1 231)</td>
<td>770</td>
</tr>
</tbody>
</table>
39. Securities borrowed/lent and repurchase/reverse repurchase agreements  

39.2 Repurchase agreements and securities lent

(continued)

<table>
<thead>
<tr>
<th>Bank</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of transferred assets Rm</td>
<td>Carrying amount of associated liabilities Rm</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>23 390</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>2 930</td>
</tr>
</tbody>
</table>

The transferred assets are presented in the “Trading portfolio assets and investment securities” line on the statement of financial position.

40. Transfer of financial assets

Transfer of financial assets involving structured entities

In the ordinary course of its normal banking activities the Bank transfers financial assets to Structured Entities (“SEs”), either legally (where legal rights to the cash flows from the asset are transferred to the counterparty) or beneficially (where the Bank retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition of the assets or no derecognition of the assets.

40.1 Transfer of financial assets that does not result in derecognition

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of transferred assets Rm</td>
<td>Carrying amount of associated liabilities Rm</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>181</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of transferred assets Rm</td>
<td>Carrying amount of associated liabilities Rm</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>224</td>
</tr>
</tbody>
</table>

Balances included within loans and advances to customers represent instances where substantially all the risks and rewards (credit risk and prepayment risk) of the financial asset have been retained by the Bank.

The relationship between the transferred assets and the associated liabilities is that holders of the associated liabilities may only look to cash flows from the transferred assets for payments due to them, although the contractual terms may differ from those of the transferred assets.

40.2 Transfer of financial assets that results in partial derecognition

The Bank invests in notes of certain SEs. The interest on these notes represents a continuing exposure to the prepayment risk and credit risk of the underlying assets (the transferred assets) which comprise of corporate loans. The assets are included in the statement of financial position under ‘Loans and advances to customers’. The carrying amount of the loans before transfer was R1 175m (2014: R1 175m) and the current carrying amount as at the reporting date is R978m (2014: R968m). There are no liabilities associated with the assets transferred.

40.3 Continuing involvement in financial assets that have been derecognised in their entirety

The instance may arise where the Bank transfers a financial asset to an SE in its entirety but may have continuing involvement in it. Continuing involvement largely arises from providing financing to the SE in the form of retained notes, which do not bear first losses as they are not considered equity instruments of the SE.

As at 31 December 2015, the bank had no continuing involvement where financial assets have been derecognised in their entirety. (31 December 2014: none)
41. **Offsetting financial assets and financial liabilities**

Where relevant the Bank reports derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements on a net basis.

The following table shows the impact of netting arrangements on the statement of financial position for recognised financial assets and liabilities that are reported net on the statement of financial position and those derivative financial instruments and reverse repurchase and repurchase agreements and other similar lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements which did not qualify for presentation on a net basis. The table also shows potential netting not recognised on the statement of financial position that results from arrangements that do not meet all the IAS 32 netting criteria, because there is no intention to net settle or realise simultaneously, and related financial collateral that mitigates credit risk.

The net amounts presented are not intended to represent the Bank’s actual credit exposure as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

<table>
<thead>
<tr>
<th>Bank 2015</th>
<th><strong>Amounts subject to enforceable netting arrangements</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Effects of netting on statement of financial position</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Gross amounts Rm</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Derivative financial assets</strong></td>
</tr>
<tr>
<td>Reverse repurchase agreements and other similar secured borrowing</td>
<td>76 478</td>
</tr>
<tr>
<td></td>
<td>44 972</td>
</tr>
<tr>
<td>Total assets</td>
<td>121 450</td>
</tr>
<tr>
<td></td>
<td><strong>Derivative financial liabilities</strong></td>
</tr>
<tr>
<td>Repurchase agreements and other similar secured lending</td>
<td>(84 253)</td>
</tr>
<tr>
<td>(27 588)</td>
<td>—</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(111 841)</td>
</tr>
</tbody>
</table>

**Notes**

1. Net amounts reported on the statement of financial position comprises exposure that has been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted on the statement of financial position.
2. Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.
3. In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.
4. Total per statement of financial position is the sum of “net amounts reported on the statement of financial position” which are subject to enforceable netting arrangements and “amounts not subject to enforceable netting arrangements”.

---

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Annual consolidated and separate financial statements 31 December 2015
41. **Offsetting financial assets and financial liabilities** (continued)

<table>
<thead>
<tr>
<th>Bank</th>
<th>2014¹</th>
</tr>
</thead>
</table>

**Amounts subject to enforceable netting arrangements**

<table>
<thead>
<tr>
<th></th>
<th>Effects of netting on statement of financial position</th>
<th>Related amounts not set off</th>
<th>Amounts not subject to enforceable netting arrangements</th>
<th>Total per statement of financial position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross amounts reported on the statement of financial position</td>
<td>Offsetting financial instruments</td>
<td>Financial collateral²</td>
<td>Net amount</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Derivative financial assets Reverse repurchase agreements and other similar secured borrowing</td>
<td>40 685</td>
<td>—</td>
<td>40 685</td>
<td>(33 656)</td>
</tr>
<tr>
<td>Reverse repurchase agreements and other similar secured borrowing</td>
<td>41 068</td>
<td>(14 999)</td>
<td>26 069</td>
<td>—</td>
</tr>
<tr>
<td>Total assets</td>
<td>81 753</td>
<td>(14 999)</td>
<td>66 754</td>
<td>(33 656)</td>
</tr>
<tr>
<td>Derivative financial liabilities Repurchase agreements and other similar secured borrowing</td>
<td>(42 355)</td>
<td>—</td>
<td>(42 355)</td>
<td>33 656</td>
</tr>
<tr>
<td>Repurchase agreements and other similar secured borrowing</td>
<td>(25 922)</td>
<td>—</td>
<td>(25 922)</td>
<td>—</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(68 277)</td>
<td>—</td>
<td>(68 277)</td>
<td>33 656</td>
</tr>
</tbody>
</table>

**Offsetting and collateral arrangements**

**Derivative assets and liabilities**

Credit risk is mitigated where possible through netting arrangements, such as the International Swaps and Derivative Association (“ISDA”) Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral (cash and non-cash) is also obtained, often daily, for the net exposure between counterparties where possible to further mitigate credit risk.

**Repurchase and reverse repurchase agreements and other similar secured lending and borrowing**

Credit risk is mitigated where possible through netting arrangements such as global master repurchase agreements and global master securities lending agreements whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur. Financial collateral is obtained and typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default. These offsetting and collateral arrangements and the credit risk mitigation strategies used by the Bank are further explained in the credit risk mitigation, collateral and other credit enhancements section, refer to note 56.2.

**Notes**

¹ Amounts offset for reverse repurchase agreements relate to a short sale financial liability of R14,9bn. No other significant recognised financial assets and liabilities were offset in the statement of financial position.

² Net amounts reported on the statement of financial position comprises exposure that has been netted on the statement of financial position in compliance with IAS 32 (net exposure) and exposures that are subject to legally enforceable netting arrangements but have not been netted on the statement of financial position.

³ Financial collateral excludes over collateralisation and amounts, which are measured at fair value and are in excess of the net statement of financial position exposure.

⁴ In certain jurisdictions a contractual right of set-off is subject to uncertainty under laws of the jurisdiction and therefore netting is not applied and the amounts are classed as not subject to legally enforceable netting arrangements.

⁵ Total per statement of financial position is the sum of “net amounts reported on the statement of financial position” which are subject to enforceable netting arrangements and “amounts not subject to enforceable netting arrangements.”
42. Related parties

The Bank’s ultimate parent company is Barclays Bank PLC, which owns 62.3% (2014: 62.3%) of the ordinary shares in the Barclays Africa Group Limited. The remaining 37.7% (2014: 37.7%) of the shares are widely held on the JSE.

42.1 Transactions with key management personnel

IAS 24 Related Party Disclosures (“IAS 24”), requires the identification of key management personnel, who are individuals responsible for planning, directing and controlling the activities of the entity, including directors. Key management personnel are defined as executive and non-executive directors and members of the Executive Committee (“Exco”). A number of banking and insurance transactions are entered into with key management personnel in the normal course of business, under terms that are no more favourable than those arranged with other employees. These include loans, deposits and foreign currency transactions. The related party transactions, outstanding balances at the reporting date, and related expenses and income with related parties for the reporting period are as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key management personnel compensation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred cash payments</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Post-employment benefit contributions</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Salaries and other short-term benefits</td>
<td>40</td>
<td>35</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>41</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>87</td>
<td>93</td>
</tr>
<tr>
<td>Other key management personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred cash payments</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Post-employment benefit contributions</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Salaries and other short-term benefits</td>
<td>58</td>
<td>97</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>69</td>
<td>102</td>
</tr>
<tr>
<td></td>
<td>147</td>
<td>217</td>
</tr>
</tbody>
</table>
### 42. Related parties (continued)

#### 42.1 Transactions with key management personnel (continued)

<table>
<thead>
<tr>
<th></th>
<th>2015 Transactions with key management Rm</th>
<th>2014 Transactions with entities controlled by key management Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>38</td>
<td>14</td>
</tr>
<tr>
<td>Inception/(discontinuance) of related party relationships(^1)</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td>Loans issued and interest earned</td>
<td>103</td>
<td>19</td>
</tr>
<tr>
<td>Loans repaid</td>
<td>(93)</td>
<td>(18)</td>
</tr>
<tr>
<td>Balance at the end of the reporting period</td>
<td>49</td>
<td>15</td>
</tr>
<tr>
<td>Interest income</td>
<td>(3)</td>
<td>(1)</td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Inception of related party relationships(^1)</td>
<td>(1)</td>
<td>6</td>
</tr>
<tr>
<td>Deposits received</td>
<td>231</td>
<td>3</td>
</tr>
<tr>
<td>Deposits repaid and interest paid</td>
<td>(210)</td>
<td>(4)</td>
</tr>
<tr>
<td>Balance at the end of the reporting period</td>
<td>29</td>
<td>6</td>
</tr>
<tr>
<td>Interest expense</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Guarantees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>37</td>
<td>1</td>
</tr>
<tr>
<td>(Discontinuance)/inception of related party relationships(^1)</td>
<td>(18)</td>
<td>—</td>
</tr>
<tr>
<td>Value of new investments/contributions</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Value of withdrawals/disinvestments</td>
<td>(25)</td>
<td>(3)</td>
</tr>
<tr>
<td>Fees and charges</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td>Investment returns</td>
<td>(1)</td>
<td>2</td>
</tr>
<tr>
<td>Balance at the end of the reporting period</td>
<td>28</td>
<td>34</td>
</tr>
</tbody>
</table>

Loans include mortgages, asset finance transactions, overdrafts and other credit facilities. Loans to key management personnel are provided on the same terms and conditions as loans to employees of the Bank, including interest rates and collateral requirements. No loans to key management personnel or entities controlled by key management personnel were written off as irrecoverable.

In addition to the specific guarantees, a number of key management personnel and entities controlled by key management personnel have unlimited surety with the Bank.

**Insurance premiums paid and claims received**

Key management personnel paid insurance premiums of **R0,16m** (2014: R0,16m) and received claims of **Rnil** (2014: Rnil).

---

\(^1\) Includes balances relating to key management personnel who resigned during the reporting periods.
42. Related parties (continued)

42.2 Balances and transactions with the ultimate parent company, fellow subsidiaries and associates and joint ventures of The ultimate parent company

<table>
<thead>
<tr>
<th>Ultimate parent company</th>
<th>Fellow subsidiaries, associates and joint ventures of the ultimate parent company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>Ultimate parent company Rm</td>
</tr>
<tr>
<td>Balances</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>13 128</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>29 383</td>
</tr>
<tr>
<td>Other assets</td>
<td>956</td>
</tr>
<tr>
<td>Investment securities</td>
<td>87</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>(5 523)</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>(32 595)</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>(44)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(308)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions</td>
<td></td>
</tr>
<tr>
<td>Interest and similar income</td>
<td>197</td>
</tr>
<tr>
<td>Interest expense and similar charges</td>
<td>48</td>
</tr>
<tr>
<td>Gains and losses from banking and trading activities</td>
<td>342</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>(31)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>(77)</td>
</tr>
<tr>
<td>Operating expenses/(recovered expenses)</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Trade balances must be settled in accordance with market conventions applicable to the underlying transaction. Non-trade balances must be settled by the close of the month immediately following the month in which the transaction occurred. Further, settlement must be in the currency required by the ultimate parent company. In exceptional cases, it may be impractical or inefficient to settle balances monthly. In such cases, the unsettled balances must be explicitly agreed to on a monthly basis in writing and full settlement must be made at least quarterly. There were no bad debt expenses and provisions for bad debts that related to balances and transactions with the ultimate parent company and fellow subsidiaries, associates and joint ventures of the ultimate parent company.

42.3 Balances and transactions with the parent company, fellow subsidiaries and associates and joint ventures of the parent company

<table>
<thead>
<tr>
<th>Parent company Rm</th>
<th>Fellow subsidiaries, associates and joint ventures of the parent company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>Parent company Rm</td>
</tr>
<tr>
<td>Balances</td>
<td></td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>—</td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>—</td>
</tr>
<tr>
<td>Loans to Absa Group Companies</td>
<td>—</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>(3 508)</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>—</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>—</td>
</tr>
<tr>
<td>Trading portfolio liabilities</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>11 116</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions</td>
<td></td>
</tr>
<tr>
<td>Interest and similar income</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense and similar charges</td>
<td>—</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>—</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>—</td>
</tr>
<tr>
<td>Gains and losses from banking and trading activities</td>
<td>—</td>
</tr>
<tr>
<td>Gains and losses from investment activities</td>
<td>—</td>
</tr>
<tr>
<td>Other operating income</td>
<td>—</td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>—</td>
</tr>
</tbody>
</table>

Trade balances must be settled in accordance with market conventions applicable to the underlying transaction. Non-trade balances must be settled by the close of the month immediately following the month in which the transaction occurred. Further, settlement must be in the currency required by the ultimate parent company. In exceptional cases, it may be impractical or inefficient to settle balances monthly. In such cases, the unsettled balances must be explicitly agreed to on a monthly basis in writing and full settlement must be made at least quarterly. There were no bad debt expenses and provisions for bad debts that related to balances and transactions with the ultimate parent company and fellow subsidiaries, associates and joint ventures of the ultimate parent company.
### 42. Related parties (continued)

#### 42.4 Subsidiaries and consolidated structured entities

The following information provided is in respect of the Bank’s main subsidiaries. The main subsidiaries are those entities whose results or financial position, in the opinion of the directors, had the most significant impact, relative to all the Bank’s subsidiaries, on the figures shown in the consolidated financial statements. The significance of this impact is judged from both a qualitative and a quantitative perspective and is assessed on a half yearly basis.

<table>
<thead>
<tr>
<th>Name</th>
<th>Nature of business</th>
<th>Country of incorporation</th>
<th>Bank</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Absa Capital Representative Office Nigeria Limited</td>
<td>Representative office to facilitate trade and obtain market share in Nigeria.</td>
<td>Nigeria</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Absa Technology Finance Solutions Proprietary Limited</td>
<td>Financial broker/executive finance company.</td>
<td>South Africa</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Absa Vehicle and Management Solutions Proprietary Limited</td>
<td>Operates as a fleet manager providing financial, leasing, maintenance and management services.</td>
<td>South Africa</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Alberton Industrial Properties Proprietary Limited United Towers Proprietary Limited</td>
<td>Obta</td>
<td>South Africa</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Investment in and issuance of preference shares.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Structured entities**

<table>
<thead>
<tr>
<th>Name</th>
<th>Nature of business</th>
<th>Country of incorporation</th>
<th>Bank</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Fund used to invest in unit trusts.</td>
<td>South Africa</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Absa Foundation Trust</td>
<td>Provides funding for community upliftment. It receives a percentage of the Bank’s dividends which it distributes to identified community-related projects.</td>
<td>South Africa</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Home Obligor Mortgages Enhanced Securities Proprietary Limited</td>
<td>Securitisation vehicle for Absa Home Loans division.</td>
<td>South Africa</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Maravedi Financial Services – Life Cell</td>
<td>Credit life insurance.</td>
<td>South Africa</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

#### 42.5 Nature and extent of significant restrictions relating to investments in subsidiaries

There are significant restrictions on the ability of the Bank to require distributions of capital, access the assets, or repay the liabilities of members of its group arising from regulatory and contractual requirements.

**Regulatory requirements**

The Bank’s subsidiaries are subject to the regulatory capital (“RC”) requirements of the countries in which they operate. These require, inter alia, that these entities maintain minimum capital ratios which restrict the ability of these entities to make distributions to the parent company. Distributions are also restricted by leverage constraints, large exposure limits and local legal licence requirements.

The requirements to maintain capital also affect certain equity and non-equity instruments in these subsidiaries such as Tier 1 and Tier 2 capital instruments and other subordinated liabilities which enable subsidiaries to meet their ratios. To the extent that these are retired, they must be replaced with instruments of similar terms.

The total amount of RC required to be maintained by regulated entities within the Bank was **R48,4bn** (2014: **R44,4bn**).

**Contractual requirements**

Certain of the Bank’s securitisation and structured entities hold assets or interests in assets that are only available to meet the liabilities of those entities and may have issued public debt securities. The Bank has the ability to wind up these structures and repay the notes, but only on the occurrence of certain contingencies, such as changes in tax laws or regulatory requirements. The carrying amount of the assets and liabilities of the entities to which these restrictions apply as at 31 December 2015 was **R4bn** and **R3,8bn** respectively (2014: **R4bn** and **R2,5bn** respectively).

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**Note**

1. A full list of subsidiaries and consolidated structural entities is available on request at the registered address of the Bank.
### 42. Related parties (continued)

#### 42.6 Associates, joint ventures and retirement benefit fund

The Bank provides certain banking and financial services to associates and joint ventures. The Bank also provides a number of current and interest-bearing cash accounts to the Absa Pension Fund. These transactions are generally conducted on the same terms as third-party transactions and are not individually material.

In aggregate, the amounts included in the Bank’s consolidated financial statements are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Bank 2015</th>
<th>Associates and joint ventures Rm</th>
<th>Retirement benefit fund Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Absa Group Pension Fund investments managed by the Bank</td>
<td>—</td>
<td>9 333</td>
<td>9 333</td>
<td></td>
</tr>
<tr>
<td>Value of Absa defined contribution pension fund investments managed by the Bank</td>
<td>—</td>
<td>17 008</td>
<td>17 008</td>
<td></td>
</tr>
<tr>
<td>Value of Barclays Africa Group Limited shares held by defined benefit pension fund</td>
<td>—</td>
<td>40</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Value of other Barclays Africa Group Limited securities held by defined benefit pension fund</td>
<td>—</td>
<td>79</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td><strong>Statement of financial position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>—</td>
<td>466</td>
<td>466</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers (refer to note 8)</td>
<td>17 079</td>
<td>—</td>
<td>17 079</td>
<td></td>
</tr>
<tr>
<td><strong>Statement of comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and similar income</td>
<td>(981)</td>
<td>(710)</td>
<td>(1 691)</td>
<td></td>
</tr>
<tr>
<td>Interest expense and similar charges</td>
<td>19</td>
<td>674</td>
<td>863</td>
<td></td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>11</td>
<td>—</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1</td>
<td>—</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Current service costs (refer to note 37)</td>
<td>—</td>
<td>48</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Staff costs (contributions to Absa pension fund)</td>
<td>—</td>
<td>765</td>
<td>765</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Bank 2014</th>
<th>Associates and joint ventures Rm</th>
<th>Retirement benefit fund Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of defined benefit pension fund investments managed by the Bank</td>
<td>—</td>
<td>8 898</td>
<td>8 898</td>
<td></td>
</tr>
<tr>
<td>Value of Absa defined contribution pension fund investments managed by the Bank</td>
<td>—</td>
<td>15 864</td>
<td>15 864</td>
<td></td>
</tr>
<tr>
<td>Value of Barclays Africa Group Limited shares held by defined benefit pension fund</td>
<td>—</td>
<td>7</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Value of other Barclays Africa Group Limited securities held by defined benefit pension fund</td>
<td>—</td>
<td>216</td>
<td>216</td>
<td></td>
</tr>
<tr>
<td><strong>Statement of financial position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>—</td>
<td>466</td>
<td>466</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers (refer to note 8)</td>
<td>14 456</td>
<td>—</td>
<td>14 456</td>
<td></td>
</tr>
<tr>
<td><strong>Statement of comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and similar income</td>
<td>(860)</td>
<td>(702)</td>
<td>(1 562)</td>
<td></td>
</tr>
<tr>
<td>Interest expense and similar charges</td>
<td>24</td>
<td>663</td>
<td>687</td>
<td></td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>39</td>
<td>—</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Current service costs (refer to note 37)</td>
<td>—</td>
<td>42</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Staff costs (contributions to Absa pension fund)</td>
<td>—</td>
<td>718</td>
<td>718</td>
<td></td>
</tr>
</tbody>
</table>

**Note**

1. In the current period, it was determined that the nature of certain loans to associates is closely linked to mortgages. This resulted in allocation of R305m out of loans to associates and joint venture to mortgages in the prior year.
42. Related parties (continued)

42.6 Associates, joint ventures and retirement benefit fund (continued)

The following information provided is in respect of the Bank’s main associates and joint ventures. The main associates and joint ventures are those arrangements whose results or financial position, in the opinion of the directors, had the most significant impact, relative to all the Bank’s associates and joint ventures, on the Bank’s consolidated financial statements. Despite these investments having the most significant impact relative to all the Bank’s associates and joint ventures, none of the Bank’s associates or joint ventures are considered to have an impact that is individually material. Materiality and the relative significance of the Bank’s associates and joint ventures are judged from a qualitative and quantitative perspective and is assessed half yearly.

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Nature of business</th>
<th>2015 Ownership %</th>
<th>2014 Ownership %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity-accounted associates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBV Services Proprietary Limited¹</td>
<td>Cash transportation services.</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>The Document Exchange Association</td>
<td>Facilitates the electronic exchange of documents between the banks.</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>The South African Bankers Services Company Proprietary Limited²</td>
<td>Automatic clearing house.</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td><strong>Equity-accounted joint ventures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFS Finance South Africa Proprietary Limited</td>
<td>Provides financing solutions to Ford Motor Company customers.</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Integrated Processing Solutions Proprietary Limited</td>
<td>Joint venture with Standard Bank Group Limited involved in cheque processing activities.</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>MAN Financial Services (S.A.)Proprietary Limited</td>
<td>Joint venture with MAN Financial Services GmbH for financing of trucks and buses.</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td><strong>Associates and joint ventures designated at fair value through profit or loss</strong></td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
</tbody>
</table>

All associates and joint ventures are incorporated in South Africa.

43. Structured entities

Exchange traded funds

ETFs are passively managed index funds that are listed and traded on a securities exchange. An ETF tracks the performance of and/or gains a broad exposure to a particular index, sector or commodity for individual and institutional investors. All ETFs have a market maker to ensure that liquidity is always maintained, and in many instances, the Bank will act in this capacity. The Bank may therefore hold a direct interest in the fund, but the magnitude of such interest will vary with sufficient regularity. Whether the Bank consolidates any of the funds depends on the magnitude of the interest held therein, as well as on the Bank’s ability to direct the relevant activities of the fund, either directly or indirectly. The Bank, through its contractual undertaking to act as market maker, ensures that liquidity is always maintained. The Bank earns management fee income from its involvement in the funds. To the extent that the Bank holds participatory units in the funds, the Bank will receive distributions recognised as investment income, as well as realised gains and losses on the revaluations thereof. ETFs are regulated by the Financial Services Board and the Collective Investment Schemes Control Act. No. 45 of 2002.

Securitisation vehicles

The Bank has used structured entities in order to securitise loans that were originated by the Bank. These entities have minimal equity and therefore rely on funding in the form of notes in order to acquire the underlying loans. The Bank transfers the contractual right to receive cash flows on the underlying loans, but in many instances, does not relinquish exposure to substantially all the risks and rewards of ownership. Exposures to credit risk, prepayment risk and/or interest rate risk are retained when the Bank purchases either senior notes or junior notes and sells derivatives to the entity. When the securitisation vehicles are established to run entirely on autopilot or when the only relevant activity of the entity constitutes recovery of the securitised loans in the event of default, then provided such activity is not directed by the Bank, the Bank will not have power over the relevant activities of the vehicle. The Bank earns interest income on the notes issued by the vehicles, together with management fees from the Bank’s ongoing involvement. To the extent that the notes are fair valued, unrealised gains and losses are generated, which are recognised by the Bank in profit or loss.

Note ¹ SBV Services Proprietary Limited and The South African Bankers Services Company Proprietary Limited have a reporting date of 30 June 2015.
43. **Structured entities (continued)**

**Structured investment vehicles**

The Bank holds investments in a number of vehicles which were established and are managed by third-party fund managers. These vehicles are generally not consolidated by the Bank on the basis that the relevant activities of the vehicles are directed by the fund manager, and no substantive kick-out rights exist. The investments held in the vehicles are measured at fair value with changes therein being recognised in profit or loss. Distributions made by the vehicles will be recognised as investment income in profit or loss. The vehicles are funded through the commitment and provision of capital by investors.

Preference share funding vehicles

The Bank provides financing to a number of structured entities, established and managed by clients, in the form of a subscription for cumulative redeemable preference shares. These instruments typically have the economic characteristics of vanilla debt instruments, and as such the Bank recognises interest income from its investments. Often the Bank subscribes for preference shares in these vehicles together with other financial institutions on a syndicated basis. The Bank does not have the ability to direct the relevant business activities in these vehicles and therefore in the absence of control, the vehicles are not consolidated.

An entity which forms part of the same group of companies as the preference share funding vehicle, most commonly the parent company, writes the Bank a financial guarantee or a put option, so as to provide security in the event of default.

**Funding vehicles**

The Bank provides funding in the form of loans to bankruptcy remote structured entities to enable them to purchase fixed assets, such as property. The loans are fully collateralised by the underlying asset, and the repayment of principal and interest is met through the receipt of lease income. The loans are subject to guarantees received from the parent company, or from other trading entities within the same group of companies. The Bank earns interest on the loans. The loans are either measured at amortised cost, or are designated as at fair value through profit or loss.

43.1 **Consolidated structured entities**

During the reporting period the Bank provided financial or other support to the following consolidated SE despite not being contractually obliged to do so:

<table>
<thead>
<tr>
<th>Name</th>
<th>Nature of support</th>
<th>Reason for providing support</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Absa Foundation Trust</td>
<td>Donation</td>
<td>The trust was constituted to fund community upliftment and social welfare programmes.</td>
<td>71</td>
<td>63</td>
</tr>
</tbody>
</table>

The Bank has consolidated The Absa Foundation Trust since 2006.

The Bank does not intend to provide financial or other support to any of the Bank’s consolidated SE’s.
43. Structured entities (continued)

43.2 Unconsolidated structured entities

The level of risk that the Bank is exposed to is determined by the nature and purpose of it holding an interest in the entity. Owing to the large number of SEs in which the Bank holds an interest, information about such entities has been aggregated according to the purpose for which the entity was established.

<table>
<thead>
<tr>
<th>Bank 2015</th>
<th>Preference funding vehicles Rm</th>
<th>Structured investment vehicles Rm</th>
<th>Securitisation vehicles Rm</th>
<th>Exchange-traded funds Rm</th>
<th>Funding vehicles Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>—</td>
<td>—</td>
<td>920</td>
<td>—</td>
<td>—</td>
<td>920</td>
</tr>
<tr>
<td>Investment securities</td>
<td>—</td>
<td>136</td>
<td>187</td>
<td>1 184</td>
<td>—</td>
<td>1 507</td>
</tr>
<tr>
<td>Debt securities</td>
<td>—</td>
<td>—</td>
<td>187</td>
<td>1 184</td>
<td>—</td>
<td>1 371</td>
</tr>
<tr>
<td>Equity securities</td>
<td>—</td>
<td>136</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>136</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>9 566</td>
<td>—</td>
<td>1 860</td>
<td>—</td>
<td>546</td>
<td>11 972</td>
</tr>
<tr>
<td>Derivatives held for trading</td>
<td>—</td>
<td>—</td>
<td>13</td>
<td>—</td>
<td>—</td>
<td>13</td>
</tr>
<tr>
<td>Interest rate derivatives (carrying value)</td>
<td>—</td>
<td>—</td>
<td>13</td>
<td>—</td>
<td>—</td>
<td>13</td>
</tr>
<tr>
<td>Interest rate derivatives (notional value)</td>
<td>—</td>
<td>—</td>
<td>340</td>
<td>—</td>
<td>—</td>
<td>340</td>
</tr>
<tr>
<td>Undrawn liquidity facilities and financial guarantees (notional value)</td>
<td>—</td>
<td>—</td>
<td>400</td>
<td>—</td>
<td>—</td>
<td>400</td>
</tr>
<tr>
<td>Liabilities</td>
<td>9 566</td>
<td>136</td>
<td>3 380</td>
<td>1 184</td>
<td>546</td>
<td>14 812</td>
</tr>
</tbody>
</table>

1 There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity’s interest in unconsolidated structured entities.

2 The Bank’s maximum exposure to loss has been calculated as the sum of its assets recognised in the statement of financial position and its unrecognised contractual commitments to provide further finance. The actual loss, due to the collateral held by the entities, the availability of netting and credit protection held is likely to be less in most cases.

3 Total size of entities is measured relative to total assets.
### Structured entities (continued)

#### 43.2 Unconsolidated structured entities (continued)

#### Bank

<table>
<thead>
<tr>
<th>Preference funding vehicles</th>
<th>Structured investment vehicles</th>
<th>Securitisation vehicles</th>
<th>Exchange-traded funds</th>
<th>Funding vehicles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>—</td>
<td>—</td>
<td>911</td>
<td>—</td>
<td>911</td>
</tr>
<tr>
<td>Investment securities</td>
<td>—</td>
<td>208</td>
<td>2 320</td>
<td>32</td>
<td>2 560</td>
</tr>
<tr>
<td>Debt securities</td>
<td>—</td>
<td>—</td>
<td>2 313</td>
<td>32</td>
<td>2 345</td>
</tr>
<tr>
<td>Equity securities</td>
<td>—</td>
<td>208</td>
<td>7</td>
<td>—</td>
<td>215</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>8 195</td>
<td>—</td>
<td>318</td>
<td>552</td>
<td>9 065</td>
</tr>
<tr>
<td>Derivatives held for trading</td>
<td>—</td>
<td>—</td>
<td>4</td>
<td>—</td>
<td>4</td>
</tr>
<tr>
<td>Interest rate derivatives (carrying value)</td>
<td>—</td>
<td>—</td>
<td>4</td>
<td>—</td>
<td>4</td>
</tr>
<tr>
<td>Interest rate derivatives (notional value)</td>
<td>—</td>
<td>—</td>
<td>1 946</td>
<td>—</td>
<td>1 946</td>
</tr>
<tr>
<td>Undrawn liquidity facilities (notional value)</td>
<td>—</td>
<td>—</td>
<td>454</td>
<td>—</td>
<td>454</td>
</tr>
<tr>
<td></td>
<td>8 195</td>
<td>208</td>
<td>4 007</td>
<td>552</td>
<td>12 994</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>63</td>
<td>—</td>
<td>1 630</td>
<td>68</td>
<td>1 761</td>
</tr>
<tr>
<td>Maximum exposure to loss</td>
<td></td>
<td></td>
<td>1 630</td>
<td>68</td>
<td>1 761</td>
</tr>
<tr>
<td>Total size of entities</td>
<td>56 809</td>
<td>483</td>
<td>6 130</td>
<td>36 091</td>
<td>552</td>
</tr>
<tr>
<td></td>
<td>100 065</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following presents the Bank’s losses recognised in profit or loss from the Bank’s interests in unconsolidated structured entities:

<table>
<thead>
<tr>
<th>Derivatives</th>
<th>Impairment losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Securitisation vehicles</td>
<td>(28)</td>
</tr>
<tr>
<td>Funding vehicles</td>
<td>—</td>
</tr>
</tbody>
</table>

### 43.3 Sponsored entities

In addition to the unconsolidated SE’s in which the Bank has an interest, it also sponsors some SEs in which it has no interest. The Bank did not earn material income from its involvement in the unconsolidated SEs which it sponsors.

#### Assets transferred to unconsolidated sponsored structured entities

Particulars of assets transferred to these entities, at their carrying amount on the date of transfer, were as follows. The amounts presented represent the total assets transferred to the entities by all parties, not those transferred solely by the Bank:

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances</td>
<td>1 500</td>
<td>1 502</td>
</tr>
</tbody>
</table>

---

**Notes**

1. There are no liquidity arrangements, guarantees or other commitments with third parties that may affect the fair value or risk of the entity’s interest in unconsolidated structured entities.
2. The Bank’s maximum exposure to loss has been calculated as the sum of its assets recognised in the statement of financial position and its unrecognised contractual commitments to provide further finance. The actual loss, due to the collateral held by the entities, the availability of netting and credit protection held is likely to be less in most cases.
3. Total size of entities is measured relative to total assets.
44. **Assets under management and administration**

<table>
<thead>
<tr>
<th>Services</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative asset management and exchange-traded funds</td>
<td>30 797</td>
<td>35 920</td>
</tr>
<tr>
<td>Portfolio management</td>
<td>3 474</td>
<td>3 455</td>
</tr>
<tr>
<td>Unit trusts</td>
<td>2 455</td>
<td>2 031</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>36 726</td>
<td>41 406</td>
</tr>
</tbody>
</table>

45. **Financial guarantee contracts**

Financial guarantee contracts represent contracts where the Bank undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum off-statement of financial position exposure.

46. **Commitments**

46.1. **Authorised capital expenditure**

Contracted but not provided for

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bank has capital commitments in respect of computer equipment and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.</td>
<td>591</td>
<td>576</td>
</tr>
</tbody>
</table>

46.2. **Operating lease payments due**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>No later than one year</td>
<td>758</td>
<td>856</td>
</tr>
<tr>
<td>Later than one year and no later than five years</td>
<td>1 742</td>
<td>1 631</td>
</tr>
<tr>
<td>Later than five years</td>
<td>956</td>
<td>709</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3 456</td>
<td>3 196</td>
</tr>
</tbody>
</table>

46.3. **Sponsorship payments due**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>No later than one year</td>
<td>147</td>
<td>282</td>
</tr>
<tr>
<td>Later than one year and no later than five years</td>
<td>177</td>
<td>307</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>324</td>
<td>589</td>
</tr>
</tbody>
</table>

47. **Contingencies**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees</td>
<td>31 266</td>
<td>28 076</td>
</tr>
<tr>
<td>Irrecoverable debt facilities</td>
<td>138 807</td>
<td>114 614</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>6 319</td>
<td>3 756</td>
</tr>
<tr>
<td>Other</td>
<td>21</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>176 413</td>
<td>146 453</td>
</tr>
</tbody>
</table>

Guarantees includes performance and payment guarantee contracts.

Irrevocable facilities are commitments to extend credit where the Bank does not have the right to immediately terminate the facilities by written notice. Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.
47. Contingencies (continued)

Legal proceedings

The Bank has been party to proceedings against it during the reporting period, and as at the reporting date the following cases need further disclosure:

- Pinnacle Point Holdings Proprietary Limited (“PPG”): New Port Finance Company and the trustees of the Winifred Trust (“the plaintiffs”) allege a local bank conducted itself unfaithfully, and that the Bank was privy to such conduct. They have instituted proceedings against the Bank for damages for an amount of R1 387m. The Bank has entered an appearance to defend the claim. The matter has not progressed from the previous reporting period.

- Ayanda Collective Investment Scheme (“the Scheme”): Absa Capital Investor Services was the trustee of Ayanda Collective Investment Scheme. Corporate Money Managers (“CMM”) managed a portfolio of assets within the Scheme under the terms of a white label agreement with Ayanda, the authorised manager of the Scheme. CMM further acted as an investment advisor in accordance with the statutory definition of the Collective Investment Scheme Act. As such, CMM procured discretionary mandates from investors and invested funds in segregated assets held in safe custody by the Bank. The plaintiffs are the joint curators of the CMM Bank of companies and the Altron Pension Fund, an investor in the CMM cash management fund. In April 2012, the plaintiffs instituted action against the Bank as well as Absa nominees (“the defendants”) for approximately R1 157m. It is alleged that the defendants caused damages to the plaintiffs arising from their alleged failure to meet their obligations in the trust deed together with their statutory obligations set out in the Collective Investment Scheme Act. Alternatively, it is contended that the defendants recklessly facilitated the fraudulent conduct of CMM, thereby causing loss. However, the claim is poorly formulated, in response to which the defendants have lodged a series of exceptions, which were heard by the Court in the third quarter of 2015. Judgment has been reserved and is still awaited.

The Bank is engaged in various other legal, competition and regulatory matters both in South Africa and a number of other jurisdictions. It is subject to legal proceedings by and against the Bank which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Bank is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Bank is or has been engaged.

At the present time, the Bank does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters will not be material to the Bank’s results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

The Bank has not disclosed the contingent liabilities associated with these matters either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the outcome of the matter. Provision is made for all liabilities which are expected to materialise.

Regulatory matters

The scale of regulatory change remains challenging and the global financial crisis is resulting in a significant tightening of regulation and changes to regulatory structures globally, especially for companies that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny of the operation of the banking and consumer credit industries globally which, in some cases, is leading to increased regulation. The nature and impact of future changes in the legal framework, policies and regulatory action cannot currently be fully predicted and are beyond the Bank’s control, but especially in the area of banking and insurance regulation, are likely to have an impact on the Bank’s businesses and earnings.

The Bank is continuously evaluating its compliance programmes and controls in general. As a consequence of these compliance programmes and controls, including monitoring and review activities, the Bank has also adopted appropriate remedial and/or mitigating steps, where necessary or advisable, and made disclosures on material findings as and when appropriate.

The Bank has identified potentially fraudulent activity by certain of its customers using import advance payments to effect foreign exchange transfers from South Africa to beneficiary accounts located in Asia, UK, Europe and the USA. As a result, Barclays Africa Group Limited (“BAGL”) the holding company of the Bank is conducting a review of relevant activity, processes, systems and controls. BAGL is keeping relevant agencies and regulators informed as to the ongoing status of this matter.

It is too early to reliably assess the outcome.

Income taxes

The Bank is subject to income taxes in numerous jurisdictions and the calculations of the Bank’s tax charge and provisions for income taxes necessarily involve a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authorities may have indicated disagreement with the Bank’s treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period which such determination is made. These risks are managed in accordance with the Bank’s Tax Risk Framework.

### 48. Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash balances and balances with central banks(^1)</td>
<td>8 607</td>
<td>8 777</td>
</tr>
<tr>
<td>Loans and advances to banks(^2)</td>
<td>5 767</td>
<td>1 237</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14 374</strong></td>
<td><strong>10 014</strong></td>
</tr>
</tbody>
</table>

Notes:

\(^1\) Includes coins and bank notes.
\(^2\) Includes call advances, which are used as working capital for the Bank.
Notes to the consolidated financial statements
for the reporting period ended 31 December

### 49. Deferred cash and share-based payments

<table>
<thead>
<tr>
<th>Share-based payments</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity-settled arrangements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barclays Africa Group Limited Joiners Share Value Plan (&quot;JSVP&quot;)</td>
<td>141</td>
<td>—</td>
</tr>
<tr>
<td>Barclays Africa Group Limited Share Value Plan (&quot;SVP&quot;)</td>
<td>35</td>
<td>—</td>
</tr>
<tr>
<td>Barclays Africa Group Limited Retention Share Value plan (&quot;SVP Cliff&quot;)</td>
<td>48</td>
<td>—</td>
</tr>
<tr>
<td>Cash-settled arrangements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barclays Africa Group Limited Deferred Award Plan (&quot;DAP&quot;)</td>
<td>(92)</td>
<td>44</td>
</tr>
<tr>
<td>Barclays Africa Group Limited Long-Term Incentive Plan (&quot;LTIP&quot;)</td>
<td>13</td>
<td>43</td>
</tr>
<tr>
<td>Barclays Africa Group Limited Phantom Joiners Share Award Plan (&quot;JSAP&quot;)</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Barclays Africa Group Limited Joiners Share Value Plan (&quot;SVP&quot;)</td>
<td>86</td>
<td>105</td>
</tr>
<tr>
<td>Barclays Africa Group Limited Share Value Plan (&quot;SVP&quot;)</td>
<td>110</td>
<td>190</td>
</tr>
<tr>
<td>Barclays Africa Group Limited Share Incentive Award (&quot;SIA&quot;)</td>
<td>23</td>
<td>74</td>
</tr>
<tr>
<td>Barclays Africa Group Limited Retention Share Value plan (&quot;SVP Cliff&quot;)</td>
<td>76</td>
<td>97</td>
</tr>
<tr>
<td>Barclays Africa Group Limited Role Based Pay (&quot;RBP&quot;)</td>
<td>10</td>
<td>—</td>
</tr>
<tr>
<td>Other cash-settled arrangements</td>
<td>(18)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Deferred cash payments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barclays Africa Group Limited Cash Value Plan (&quot;CVP&quot;)</td>
<td>127</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total deferred cash and share-based payments staff cost (refer to note 31)</strong></td>
<td>549</td>
<td>656</td>
</tr>
<tr>
<td><strong>Total carrying amount of liabilities for cash-settled arrangements (refer to note 18)</strong></td>
<td>361</td>
<td>820</td>
</tr>
<tr>
<td><strong>Total carrying amount of equity-settled share-based payment arrangement (refer to the statement of changes to equity)</strong></td>
<td>547</td>
<td>3</td>
</tr>
</tbody>
</table>

In 2015, the Bank sought, and received shareholder approval to modify its remuneration structures by implementing a new equity-settled share scheme. The awards granted in 2015 to eligible employees under the Barclays Africa Group Limited Share Value Plan ("SVP"), were accordingly granted as equity-settled awards under the rules of the new scheme. In addition to making a new award under the equity-settled scheme rules, the Bank also gave employees the option to convert their outstanding cash-settled awards in consideration for equivalent equity-settled awards, whilst keeping the terms and conditions of the replacement awards unchanged. 95% elected the option and their awards were converted effective 4 September 2015. The converted awards are considered separate equity-settled share schemes. To achieve the effect of economic neutrality in the conversion, the award values were however increased by 0.5% to reflect the additional Securities Transfer Tax which would be due on vesting. This resulted in an additional R1 173m expense being recorded.

Cash-settled share-based payment schemes are measured with reference to the Barclays Africa Group Limited share price as at the reporting date.

During 2014 and part of 2015 the Bank has entered into forward contracts referencing the number of Barclays Africa Group Limited shares to hedge a portion of the potential cash flow variability resulting from its DAP and SVP schemes. The spot price of the forward contracts and an equal number of DAP and SVP phantom shares have been designated into cash flow hedging relationships. These hedges were all closed out by year-end.

Included in the 2015 share-based payments expenses are hedging gains of R96m (2014: R98m).

### Barclays Africa Group Limited Long-Term Incentive Plan

The LTIP is considered an equity-settled share-based payment arrangement at BAGL level. Qualifying participants will be entitled to Barclays Africa Group Limited ordinary shares either by way of a share award or a cash award that must be used to purchase Barclays Africa Group Limited ordinary shares. The award will be issued by the employing entity or subsidiary in the Group. In order for the participant to be entitled to these awards, the participant needs to render three years of service and meet requisite performance conditions. Absa Bank Limited is obligated to purchase these shares for its employees and this scheme is therefore considered cash-settled for the Bank.

### Barclays Africa Group Limited Deferred Award Plan

The DAP is a cash-settled share-based payment arrangement. The DAP awards (and any associated notional dividends) are awarded at no cost to the participants. The awards vest in equal tranches after one, two and three years, with each tranche subject to its own independent non-market-related performance condition. The amount that is paid to the participants is equal to the market value of a number of Barclays Africa Group Limited ordinary shares, as determined on the vesting date, to the extent that the non-market-related conditions attached to the awards are met. If the Group fails to meet the minimum performance criteria, the awards made in that tranche are forfeited in total. Dividends accumulate over the vesting period and are paid at maturity.

### Barclays Africa Group Limited Phantom Joiners Share Award Plan

The JSAP enables the Bank to attract and motivate new employees by buying out the "in the money" portion of a participant’s shares or options under their previous employers’ share scheme by offering the employees Barclays Africa Group Limited awards. There is no consideration payable for the grant of an award and the vesting of the award is not subject to performance conditions. Dividends accrue to the participant over the vesting period, which can be over two to seven years.

### Barclays Africa Group Limited Joiners Share Value Plan

The JSVP enables the Bank to attract and motivate new employees by buying out the "in the money" portion of a participant’s shares or options under their previous employers’ share scheme by offering the employees Barclays Africa Group Limited awards. There is no consideration payable for the grant of an award and the vesting of the award is not subject to performance conditions. Dividends accumulate and are reinvested over the vesting period, which can be over one to five years.
Deferred cash and share-based payments (continued)

Barclays Africa Group Limited Share Value Plan

The SVP awards (and any associated notional dividends) are awarded at no cost to the participants. The awards vest in equal tranches after one, two and three years, with each tranche subject to its own independent non-market-related performance condition. On vesting, the amount that is paid to the cash-settled participants is equal to the market value of a number of Barclays Africa Group Limited ordinary shares, as determined on the vesting date, to the extent that the non-market-related conditions attached to the awards are met. On vesting, equity-settled participants are awarded Barclays Africa Group Limited ordinary shares in settlement of their awards. If the Group fails to meet the minimum performance criteria, the awards made in that tranche are forfeited in total. Dividends accumulate and are reinvested over the period.

Barclays Africa Group Limited Share Incentive Awards

The SIA is a scheme for employees identified as Code Staff for Barclays PLC. The award will vest six months from the date on which it is granted, which is 50% of the participant’s non-deferred annual incentive.

Barclays Africa Group Limited Retention Share Value Plan

The SVP Cliff awards (and any associated notional dividends) are awarded at no cost to the participants. The awards vest after three years, subject to their own independent non-market-related performance condition. On vesting, the amount that is paid to the cash-settled participants is equal to the market value of a number of Barclays Africa Group Limited’s ordinary shares, as determined on the vesting date, to the extent that the non-market-related conditions attached to the awards are met. On vesting, equity-settled participants are awarded Barclays Africa Group Limited ordinary shares in settlement of their awards. If the Group fails to meet the minimum performance criteria, the awards made in that tranche are forfeited in total. Dividends accumulate and are reinvested over the vesting period.

Barclays Africa Group Limited Role Based Pay

The RBP is a cash-settled share scheme for code staff. The RBP award (and any associated notional dividends) are awarded at no cost to certain employees, and vest in equal amounts on a quarterly basis. The cash is paid out subject to a holding period.

<table>
<thead>
<tr>
<th>Opening balance</th>
<th>Effect of conversion</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity-settled:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JSAP</td>
<td>—</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>JSVP</td>
<td>—</td>
<td>382</td>
<td>458</td>
</tr>
<tr>
<td>SVP</td>
<td>—</td>
<td>1,022</td>
<td>2,302</td>
</tr>
<tr>
<td>SIA</td>
<td>—</td>
<td>346</td>
<td>346</td>
</tr>
<tr>
<td>SVP Cliff</td>
<td>—</td>
<td>349</td>
<td>2,026</td>
</tr>
<tr>
<td>Cash-settled:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTIP</td>
<td>1,564</td>
<td>(28)</td>
<td>(34)</td>
</tr>
<tr>
<td>DAP</td>
<td>537</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>JSAP</td>
<td>130</td>
<td>(7)</td>
<td>—</td>
</tr>
<tr>
<td>JVP</td>
<td>623</td>
<td>174</td>
<td>31</td>
</tr>
<tr>
<td>SVP</td>
<td>2,464</td>
<td>(9)</td>
<td>427</td>
</tr>
<tr>
<td>SIA</td>
<td>218</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>SVP Cliff</td>
<td>1,963</td>
<td>(122)</td>
<td>119</td>
</tr>
<tr>
<td>RBP</td>
<td>—</td>
<td>78</td>
<td>70</td>
</tr>
</tbody>
</table>

The terms and conditions of the above share-based payment arrangements dictate that awards be settled immediately on vesting and therefore there are no awards which have vested but have not yet been settled at any given time. Furthermore the awards outstanding in the aforementioned schemes have no exercise price.

Deferred cash

Barclays Africa Group Limited Cash Value Plan

The Cash Value Plan (“CVP”) is a deferred cash-settled-based payment arrangement. The award will vest in three equal tranches over a period of three years, subject to the Rules which includes a 10% service credit for the third anniversary of the CVP award date. The service credit for awards granted in 2015 is 10% (2014: 10%) of the initial value of the award that vests.
50. Acquisitions and disposals of businesses and other similar transactions

50.1 Acquisitions of businesses during the current reporting period

The Bank purchased additional shares in a non-core joint venture which resulted in an increase in the Bank’s effective shareholding from 50% to 67%. The profit share that the Bank is entitled to is 74%. The acquisition occurred on 18 November 2015. A Bargain purchase amount of R4m was recognised in the statement of comprehensive income.

<table>
<thead>
<tr>
<th>Consideration at November 2015:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Total consideration</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recognised amounts of identifiable assets acquired and liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other assets</td>
</tr>
<tr>
<td>Investment properties</td>
</tr>
<tr>
<td>Other liabilities</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
</tr>
<tr>
<td>Loans from subsidiaries</td>
</tr>
<tr>
<td>Loans from Absa Group companies</td>
</tr>
<tr>
<td>Total identifiable net assets</td>
</tr>
<tr>
<td>Total non-controlling interest</td>
</tr>
<tr>
<td>Goodwill/(bargain purchase)</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

A summary of the total net cash outflow and cash and cash equivalents related to acquisitions and disposals of businesses and other similar transactions is included below:

<table>
<thead>
<tr>
<th>Summary of net cash outflow due to acquisitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
</tr>
<tr>
<td>2015 Rm</td>
</tr>
<tr>
<td>2014 Rm</td>
</tr>
</tbody>
</table>

50.2 Disposals of businesses during the current reporting period

There were no disposals of businesses during the current reporting period.

50.3 Acquisitions and disposals of businesses during the previous reporting period

The Bank made no acquisitions or disposals during the previous reporting period.

51. Segment report

51.1 Summary of segments

The Bank has identified its reportable segments based on a combination of products and services offered to customers and clients, external revenue generation and the location of the markets served. The segments also reflect how the Bank’s businesses are managed and reported to the Chief Operating Decision Maker (“CODM”).

The following summary describes the operations in each of the Bank’s reportable segments:

- Retail and Business Banking (“RBB”)
  - Business Banking provides a comprehensive range of commercial banking products and services to large, medium and small businesses.
  - Retail Banking offers various products and services to customers through the following divisions:
    - Home Loans: offers residential property-related finance solutions direct to the customer through personalised services, as well as through a range of electronic channels and intermediaries such as estate agents and originators.
    - Vehicle and Asset Finance (“VAF”): offers customised vehicle and asset finance products and services through vehicle dealers as well as directly to retail and business customers through face-to-face engagements, call centre agents and digital channels. The VAF product line incorporates vehicle management solutions including fleet card management and associated services.
    - Card: provides credit cards and merchant acquiring. It includes the Edcon portfolio.
51. Segment report (continued)

51.1 Summary of segments (continued)

- **Personal Loans**: offers unsecured instalment loans, including fixed and variable loans through face-to-face engagements, call centre agents as well as electronic and mobile channels.
- **Transactional and Deposits**: offers a full range of transactional banking, savings and investment products, customer loyalty programme and services through a variety of touch points. These include physical branches, digital channels, ATMs, priority suites and call centres.
- **Other**: includes Retail Banking central and head office costs, which are currently not allocated to business units along with branch distribution and channel net recoveries, and costs associated with the multi-channel investment programme.

- **Corporate and Investment Bank ("CIB")**: offers corporate and investment banking solutions. The business model centres on delivering specialist investment banking, financing, risk management and advisory solutions across asset classes to corporates, financial institutions and public sector bodies.
- **Wealth** has been created as a separate segment. The Wealth sub-segment was previously reported in Corporate, Investment Bank and Wealth.
- **Head Office, Treasury and other**: consists of various non-banking activities and includes investment income earned by the Bank, as well as income earned by the London branch and Corporate Real Estate Services ("CRES").

Segments can further be split into South Africa and Rest of Africa geographical segment operations. However, due to the insignificance of the Rest of Africa segment to total Bank, geographical split of segments is not considered for reportable segments.

The following operational changes, management changes and associated changes to the way in which the CODM views the performance of each business segment, have resulted in the reallocation of earnings, assets and liabilities between segments.

- **CIB** reassessed the classification of their client lists as either Corporate Banking clients or Business Banking clients which resulted in a client migration from Corporate Banking to Business Banking. This resulted in a transfer of Loans and advances to customers of R65m and deposits due to customers of R4 183m to Business Banking.
- **The following support functions within RBB** were moved to Head Office, Treasury and other operations: Cash Solutions, Collections, Forensics processing and business bank risk. This resulted in the reallocation of net interest income of R341m, non-interest income of R182m and operating expenses of R565m from RBB to Head Office, Treasury and other operations.
- **The mortgage, AVAF, CAF, Private One and practice management loan portfolios** were transferred from Wealth to Retail Banking. This resulted in restatements of loans and advances to customers of R5 273m and net interest income of R80m between Wealth and RBB.
- **Money markets**, previously reported in CIB, has been moved to Head Office, Treasury and other operations, due to the centralisation of all treasury functions. This resulted in restatements of Loans and advances to customers of R1 037m, investment securities of R2 636m, deposits due to customers of R86 133m and debt securities in issue of R69 969m.
- **Head Office, Treasury and other operations** reassessed the allocation methodologies of allocating costs to business units. This resulted in reallocation of other operating expenses R36m between segments.
- **CIB and RBB** refined the classification of costs and revenue, which resulted in restatements of non-interest income of R12m and other operating expenses of R14m between the segments.
## 51. Segment report (continued)

### 51.2 Segment report per market segment

#### Statement of comprehensive income (Rm)

<table>
<thead>
<tr>
<th></th>
<th>RBB 2015</th>
<th>RBB 2014*</th>
<th>CIB 2015</th>
<th>CIB 2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>23 374</td>
<td>22 321</td>
<td>4 989</td>
<td>3 821</td>
</tr>
<tr>
<td>Net interest income – external</td>
<td>32 022</td>
<td>31 238</td>
<td>3 075</td>
<td>934</td>
</tr>
<tr>
<td>Net interest income – internal</td>
<td>(8 648)</td>
<td>(8 917)</td>
<td>1 914</td>
<td>2 887</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>14 710</td>
<td>14 026</td>
<td>3 738</td>
<td>4 450</td>
</tr>
<tr>
<td>Non-interest income – external</td>
<td>13 975</td>
<td>13 293</td>
<td>5 558</td>
<td>4 617</td>
</tr>
<tr>
<td>Non-interest income – internal</td>
<td>735</td>
<td>733</td>
<td>(1 820)</td>
<td>(1 167)</td>
</tr>
<tr>
<td>Total income</td>
<td>38 084</td>
<td>36 347</td>
<td>8 727</td>
<td>8 271</td>
</tr>
<tr>
<td>Impairment losses on loans and advances</td>
<td>(4 764)</td>
<td>(4 918)</td>
<td>(356)</td>
<td>(164)</td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>(21 089)</td>
<td>(20 492)</td>
<td>(5 238)</td>
<td>(4 847)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(303)</td>
<td>(298)</td>
<td>(22)</td>
<td>(12)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(20 786)</td>
<td>(20 194)</td>
<td>(5 216)</td>
<td>(4 385)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(205)</td>
<td>(221)</td>
<td>(118)</td>
<td>(103)</td>
</tr>
<tr>
<td>Other impairments</td>
<td>29</td>
<td>(39)</td>
<td>—</td>
<td>(1)</td>
</tr>
<tr>
<td>Indirect taxation</td>
<td>(234)</td>
<td>(182)</td>
<td>(118)</td>
<td>(102)</td>
</tr>
<tr>
<td>Share of post-tax results of associates and joint ventures</td>
<td>127</td>
<td>130</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Operating income before income tax</td>
<td>12 153</td>
<td>10 846</td>
<td>3 023</td>
<td>3 167</td>
</tr>
<tr>
<td>Taxation expense</td>
<td>(3 394)</td>
<td>(3 032)</td>
<td>(525)</td>
<td>(795)</td>
</tr>
<tr>
<td>Profit for the reporting period</td>
<td>8 759</td>
<td>7 814</td>
<td>2 498</td>
<td>2 372</td>
</tr>
</tbody>
</table>

#### Profit attributable to:

- Ordinary equity holders: 8 551/7 615/2 391/2 272
- Preference equity holders: 208/199/107/100

#### Headline earnings: 8 596/7 579/2 391/2 192

#### Operating performance (%)

- Net interest margin on average interest-bearing assets*: 3.74/3.80/1.71/1.36
- Credit loss ratio: 1.13/1.19/0.24/0.13
- Non-interest income as a % of revenue*: 38.6/38.6/42.8/53.8
- Revenue growth*: 5/4/6/5
- Cost growth*: 3/7/8/6
- Cost-to-income ratio*: 55.4/56.4/60.0/58.6
- Effective tax rate: 27.9/27.9/17.37/25.1

#### Statement of financial position (Rm)

<table>
<thead>
<tr>
<th></th>
<th>RBB 2015</th>
<th>RBB 2014*</th>
<th>CIB 2015</th>
<th>CIB 2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advance to customers</td>
<td>425 870</td>
<td>416 378</td>
<td>170 081</td>
<td>131 981</td>
</tr>
<tr>
<td>Investment securities</td>
<td>42 507</td>
<td>38 154</td>
<td>19 525</td>
<td>14 121</td>
</tr>
<tr>
<td>Other assets</td>
<td>236 448</td>
<td>210 287</td>
<td>299 796</td>
<td>260 505</td>
</tr>
<tr>
<td>Total assets</td>
<td>704 825</td>
<td>664 819</td>
<td>489 402</td>
<td>406 607</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>276 111</td>
<td>251 375</td>
<td>178 080</td>
<td>180 141</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>418 785</td>
<td>405 066</td>
<td>16 877</td>
<td>11 663</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>503</td>
<td>1 163</td>
<td>(3 313)</td>
<td>(65)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>694 896</td>
<td>656 441</td>
<td>485 611</td>
<td>403 610</td>
</tr>
</tbody>
</table>

#### Financial performance (%)

- Return on average risk-weighted assets*: 2.90/2.76/1.62/1.72
- Return on average assets*: 1.28/1.20/0.55/0.55

---

**Notes**

1. Head Office, Treasury and other operations do not represent a reportable segment, but the reconciliation to the Bank results in terms of IFRS 8.
2. These ratios are unaudited.
3. These ratios have been calculated by management based on extracted audited information contained in the annual financial statements.
4. These numbers have been restated, refer to note 51.1.
### Notes to the consolidated financial statements

for the reporting period ended 31 December

<table>
<thead>
<tr>
<th>Wealth</th>
<th>Head Office, Treasury and other operations</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2014&lt;sup&gt;a&lt;/sup&gt;</td>
<td>2015</td>
</tr>
<tr>
<td>294</td>
<td>305</td>
<td>(1 133)</td>
</tr>
<tr>
<td>237</td>
<td>262</td>
<td>(8 585)</td>
</tr>
<tr>
<td>57</td>
<td>43</td>
<td>7 452</td>
</tr>
<tr>
<td>169</td>
<td>162</td>
<td>(65)</td>
</tr>
<tr>
<td>166</td>
<td>148</td>
<td>(3 313)</td>
</tr>
<tr>
<td>3</td>
<td>14</td>
<td>3 248</td>
</tr>
<tr>
<td>463</td>
<td>467</td>
<td>(1 198)</td>
</tr>
<tr>
<td>5</td>
<td>(28)</td>
<td>2</td>
</tr>
<tr>
<td>(566)</td>
<td>(520)</td>
<td>503</td>
</tr>
<tr>
<td>(1)</td>
<td>(1)</td>
<td>(1 046)</td>
</tr>
<tr>
<td>(565)</td>
<td>(519)</td>
<td>1 549</td>
</tr>
<tr>
<td>(6)</td>
<td>(7)</td>
<td>(670)</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>14</td>
</tr>
<tr>
<td>(6)</td>
<td>(7)</td>
<td>(684)</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>(104)</td>
<td>(88)</td>
<td>(1 362)</td>
</tr>
<tr>
<td>29</td>
<td>25</td>
<td>227</td>
</tr>
<tr>
<td>(75)</td>
<td>(63)</td>
<td>(1 135)</td>
</tr>
<tr>
<td>(81)</td>
<td>(69)</td>
<td>(1 135)</td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td>—</td>
</tr>
<tr>
<td>(75)</td>
<td>(63)</td>
<td>(1 135)</td>
</tr>
<tr>
<td>(81)</td>
<td>(69)</td>
<td>(1 249)</td>
</tr>
<tr>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>(0,10)</td>
<td>0,52</td>
<td>n/a</td>
</tr>
<tr>
<td>36,5</td>
<td>34,7</td>
<td>n/a</td>
</tr>
<tr>
<td>(1)</td>
<td>21</td>
<td>n/a</td>
</tr>
<tr>
<td>9</td>
<td>14</td>
<td>n/a</td>
</tr>
<tr>
<td>&gt;100</td>
<td>&gt;100</td>
<td>n/a</td>
</tr>
<tr>
<td>27,9</td>
<td>28,7</td>
<td>n/a</td>
</tr>
<tr>
<td>5 350</td>
<td>5 234</td>
<td>701</td>
</tr>
<tr>
<td>287</td>
<td>473</td>
<td>10 746</td>
</tr>
<tr>
<td>155</td>
<td>5 470</td>
<td>(275 325)</td>
</tr>
<tr>
<td>5 792</td>
<td>11 177</td>
<td>(263 878)</td>
</tr>
<tr>
<td>5 160</td>
<td>5 276</td>
<td>101 299</td>
</tr>
<tr>
<td>701</td>
<td>5 970</td>
<td>(523 599)</td>
</tr>
<tr>
<td>5 861</td>
<td>11 246</td>
<td>(310 724)</td>
</tr>
<tr>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>(1,18)</td>
<td>(0,60)</td>
<td>n/a</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements
for the reporting period ended 31 December

RBB

2015
Rm

20141
Rm

51. Segment report (continued)

51.2 Segment report per market segment (continued)

Statement of comprehensive income

Net interest income
23 374
22 321

Net interest income-external
32 022
31 238

Net interest income-internal
(8 648)
(8 917)

Non-interest income
14 710
14 026

Non-interest income-external
13 975
13 293

Non-interest income-internal
735
733

Total income 38 084
36 347

Impairment losses on loans and advances
(4 764)
(4 918)

Operating income before operating expenditure 33 320
31 429

Operating expenditure
(21 089)
(20 492)

Depreciation and amortisation
(303)
(298)

Other operating expenses
(20 786)
(20 194)

Other expenses
(205)
(221)

Other impairments
29
(39)

Indirect taxation
(234)
(182)

Share of post-tax results of associates and joint ventures
127
130

Operating income before tax 12 153
10 846

Taxation expense
(3 394)
(3 032)

Profit for the reporting period
8 759
7 814

Profit attributable to:

Ordinary equity holder
8 551
7 615

Preference equity holders
208
199

Headline earnings
8 596
7 579

Operating performance (%)

Net interest margin on average interest-bearing assets1
3.74
3.80

Credit loss ratio
1.13
1.19

Non-interest income as % of revenue2
38.6
38.6

Revenue growth2
5
4

Cost growth1
3
7

Cost-to-income ratio2
55.4
56.4

Effective tax rate
27.9
27.9

Statement of financial position (Rm)

Loans and advances to customers
425 870
416 378

Investment securities
42 507
38 154

Other assets
236 448
210 287

Total assets 704 825
664 819

Deposits due to customers
276 111
251 375

Debt securities in issue
—
—

Other liabilities
418 714
405 066

Total liabilities 694 896
656 441

Financial performance (%)

Return on average risk-weighted assets1
2.90
2.76

Return on average assets1
1.28
1.20

Notes

1 These ratios are unaudited.
2 These ratios have been calculated by management based on extracted audited information contained in the annual financial statements.
3 These numbers have been restated, refer to note 51.1.
4 These numbers include the Namibia Representative office included in the RBB Rest of Africa segment.
### Retail Banking | Business Banking
---|---
2015 | 2014 | 2015 | 2014
---|---|---|---
Rm | Rm | Rm | Rm
---|---|---|---
17 587 | 16 646 | 5 787 | 5 675
29 694 | 28 440 | 2 328 | 2 798
(12 107) | (11 794) | 3 459 | 2 877
11 542 | 10 990 | 3 168 | 3 036
10 806 | 10 258 | 3 169 | 3 035
736 | 732 | (1) | 1
---|---|---|---
29 129 | 27 636 | 8 955 | 8 711
(4 216) | (4 390) | (548) | (528)
24 913 | 23 246 | 8 407 | 8 183
(15 751) | (15 402) | (5 338) | (5 090)
(303) | (297) | — | (1)
(15 448) | (15 105) | (5 338) | (5 089)
(204) | (141) | (1) | (80)
(0) | (2) | 29 | (37)
(204) | (139) | (30) | (43)
127 | 130 | — | —
9 085 | 7 833 | 3 068 | 3 013
(2 523) | (2 169) | (871) | (863)
6 562 | 5 664 | 2 197 | 2 150
---|---|---|---
6 404 | 5 517 | 2 148 | 2 098
159 | 147 | 49 | 52
6 563 | 5 664 | 2 197 | 2 150
6 391 | 5 504 | 2 205 | 2 075
---|---|---|---
3 35 | 3 33 | 5.83 | 6.41
1.18 | 1.25 | 0.87 | 0.87
39.6 | 39.8 | 35.4 | 34.9
5 | 4 | 3 | 5
2 | 7 | 5 | 5
54.1 | 55.7 | 59.6 | 58.4
28.39 | 28.6 | 27.93 | 28.0
---|---|---|---
362 303 | 355 313 | 63 567 | 61 065
32 284 | 28 463 | 10 223 | 9 691
195 264 | 175 812 | 41 184 | 34 475
589 851 | 559 588 | 114 974 | 105 231
---|---|---|---
166 015 | 150 427 | 110 096 | 100 948
— | — | — | —
416 105 | 402 880 | 2 680 | 2 186
582 120 | 553 307 | 112 776 | 103 134
---|---|---|---
2.81 | 2.70 | 3.20 | 2.96
1.13 | 1.03 | 2.03 | 2.11
52. Derivatives

52.1 Derivative financial instruments

Derivative financial instruments are entered into in the normal course of business to manage various financial risks.

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank’s net interest income, net trading income, net fee and commission income and derivative assets and liabilities.

Some derivative financial instruments have been designated as hedging instruments in fair value or cash flow hedging relationships.

At the reporting date, the Bank did not have any compound financial instruments with multiple embedded derivatives in issue.

The Bank trades the following derivative instruments:

**Foreign exchange derivatives**

The Bank’s principal exchange rate-related contracts are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

**Interest rate derivatives**

The Bank’s principal interest rate related contracts are interest rate swaps, forward rate agreements, basis swaps, caps, floors and swaptions. Included in this product category are transactions that include combinations of these features. An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount.

Interest rate derivatives, designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans to banks and customers, variable rate debt securities held and highly probable forecast financing transactions and reinvestments.

Interest rate derivatives designated as fair value hedges primarily hedge the interest rate risk of fixed rate borrowings in issue, fixed rate loans to banks and customers as well as investments in fixed rate debt securities held.

**Credit derivatives**

The Bank’s principal credit derivative-related contracts include credit default swaps and total return swaps. A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default, or downgrades by a rating agency.

A total return swap is an instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer of the protection in return receives a predetermined amount.

**Equity derivatives**

The Bank’s principal equity-related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date. The Bank also enters into fund-linked derivatives, being swaps and options which underlyings include mutual funds, hedge funds, indices and multi-asset portfolios, as underlyings.

**Commodity derivatives**

The Bank’s principal commodity-related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are agricultural commodities and precious metals.

52.2 Notional amount

The gross notional amount is the sum of the absolute value of all contracts. The notional amount will not generally reflect the amount receivable or payable under a derivative contract. The notional amount should be viewed only as a means of assessing the Bank’s participation in derivative contracts and not the market risk position, nor the credit exposure arising on such contracts.

The absolute value of all contracts is also not indicative of the Bank’s net exposure to, or position in any of the markets that the Bank trades in.
### 52. Derivatives (continued)

#### 52.3 Derivative financial instrument – overall

The Bank’s total derivative asset and liability position as reported on the statement of financial position is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Assets</td>
</tr>
<tr>
<td>Derivatives held for trading</td>
<td>77 537</td>
</tr>
<tr>
<td>Derivatives designated as hedging instruments</td>
<td>2 216</td>
</tr>
<tr>
<td><strong>Total derivatives</strong></td>
<td>79 753</td>
</tr>
</tbody>
</table>

#### 52.4 Derivatives held for trading – detail by market and instrument type

Derivatives held for trading by the Bank related to the various markets and instrument types the Bank trades in are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td>Assets</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>26 996</td>
</tr>
<tr>
<td>Forwards</td>
<td>1 664</td>
</tr>
<tr>
<td>Futures</td>
<td>0</td>
</tr>
<tr>
<td>Swaps</td>
<td>22 661</td>
</tr>
<tr>
<td>Options</td>
<td>2 671</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>47 249</td>
</tr>
<tr>
<td>Forwards</td>
<td>1 628</td>
</tr>
<tr>
<td>Futures</td>
<td>52</td>
</tr>
<tr>
<td>Swaps</td>
<td>45 238</td>
</tr>
<tr>
<td>Options</td>
<td>331</td>
</tr>
<tr>
<td>Other – OTC</td>
<td>—</td>
</tr>
<tr>
<td>Other – exchange traded</td>
<td>—</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>2 161</td>
</tr>
<tr>
<td>Forwards</td>
<td>339</td>
</tr>
<tr>
<td>Futures</td>
<td>25</td>
</tr>
<tr>
<td>Swaps</td>
<td>256</td>
</tr>
<tr>
<td>Options</td>
<td>685</td>
</tr>
<tr>
<td>Options – exchange traded</td>
<td>4</td>
</tr>
<tr>
<td>Other – OTC</td>
<td>852</td>
</tr>
<tr>
<td>Commodity derivatives</td>
<td>223</td>
</tr>
<tr>
<td>Forwards</td>
<td>66</td>
</tr>
<tr>
<td>Swaps</td>
<td>116</td>
</tr>
<tr>
<td>Options</td>
<td>41</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>908</td>
</tr>
<tr>
<td>Default swaps</td>
<td>908</td>
</tr>
<tr>
<td><strong>Total derivatives</strong></td>
<td>77 537</td>
</tr>
</tbody>
</table>

Forwards, swaps and options in the table above have been traded on a bilateral OTC basis, unless specified otherwise. Futures have been traded on authorised exchanges.
### 52. Derivatives (continued)
#### 52.5 Derivatives designated as hedging instruments by market and instrument type

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>2 216</td>
<td>(4 531)</td>
</tr>
<tr>
<td>Swaps – cash flow hedges</td>
<td>192</td>
<td>(2 827)</td>
</tr>
<tr>
<td>Swaps – fair value hedges</td>
<td>2 024</td>
<td>(1 704)</td>
</tr>
<tr>
<td></td>
<td>2 216</td>
<td>(4 531)</td>
</tr>
</tbody>
</table>

#### 52.6 Derivatives designated as cash flow hedging instruments to protect against interest rate risk

Cash flow hedges for interest rate risk are used by the Bank to protect against the potential cash flow variability that results from the Bank’s exposure to various floating rate instruments including certain loans and advances, available for sale financial assets and issued debt. The Bank’s cash flow hedging instruments for interest rate risk principally consist of interest rate swaps that are used to fix floating future cash flows.

Net (losses)/gains recycled from other comprehensive income to profit or loss:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and similar income (refer to note 25)</td>
<td>1 111</td>
<td>1 494</td>
</tr>
<tr>
<td>Interest expense and similar charges (refer to note 26)</td>
<td>135</td>
<td>72</td>
</tr>
</tbody>
</table>

The fair value movement recognised in profit or loss in relation to ineffectiveness (including fair value movements previously deferred to equity which subsequently exceeded the IAS 39 reserve limit) is:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains and (losses) from banking and trading activities (refer to note 28)</td>
<td>(188)</td>
<td>(239)</td>
</tr>
</tbody>
</table>
52. Derivatives (continued)

52.6 Derivatives designated as cash flow hedging instruments to protect against interest rate risk (continued)

The Bank has hedged forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact profit or loss in future financial periods as shown in the table below. The cash flows were projected using forward rates prevailing at year-end. The cash flows are presented on an undiscounted basis, before taxation and exclude any potential hedge accounting adjustments:

<table>
<thead>
<tr>
<th>Less than</th>
<th>More than</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>5 years</td>
</tr>
<tr>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Forecast receivable cash flow</td>
<td>199</td>
</tr>
<tr>
<td>Forecast payable cash flow</td>
<td>9</td>
</tr>
<tr>
<td>Forecast receivable cash flow</td>
<td>—</td>
</tr>
<tr>
<td>Forecast payable cash flow</td>
<td>—</td>
</tr>
<tr>
<td>Forecast receivable cash flow</td>
<td>—</td>
</tr>
<tr>
<td>Forecast payable cash flow</td>
<td>—</td>
</tr>
</tbody>
</table>

Total 208

The cash flows of the aforementioned cash flow hedges are expected to impact profit or loss in future financial periods as disclosed in the following table. The cash flows were projected using the Barclays Africa Group Limited share price at the reporting date. The cash flows are presented on an undiscounted basis, before taxation and exclude any potential hedge accounting adjustments.

<table>
<thead>
<tr>
<th>Less than</th>
<th>More than</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>5 years</td>
</tr>
<tr>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Forecast receivable cash flow</td>
<td>908</td>
</tr>
<tr>
<td>Forecast payable cash flow</td>
<td>255</td>
</tr>
<tr>
<td>Forecast receivable cash flow</td>
<td>106</td>
</tr>
<tr>
<td>Forecast payable cash flow</td>
<td>49</td>
</tr>
<tr>
<td>Forecast receivable cash flow</td>
<td>15</td>
</tr>
<tr>
<td>Forecast payable cash flow</td>
<td>2</td>
</tr>
</tbody>
</table>

Total 1 335

52.7 Derivatives designated as cash flow hedging instruments to protect against equity price risk

The Bank used cash flow hedging instruments for equity price risk to protect it against the potential cash flow variability of its cash-settled share-based payment schemes, which are referenced to the market price of the Barclays Africa Group Limited shares. These hedges were all closed out by year-end.

The following net gains on cash flow hedges were recycled from other comprehensive income to profit or loss:

<table>
<thead>
<tr>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>Rm</td>
</tr>
<tr>
<td>Rm</td>
</tr>
<tr>
<td>Operating expenses – staff costs – share-based payments</td>
</tr>
</tbody>
</table>

The spot element of the forward contracts that was designated as hedging instruments, was 100% effective during the periods and therefore no ineffectiveness was recognised in profit or loss.

The cash flows of the aforementioned cash flow hedges are expected to impact profit or loss in future financial periods as disclosed in the following table. The cash flows were projected using the Barclays Africa Group Limited share price at the reporting date. The cash flows are presented on an undiscounted basis, before taxation and exclude any potential hedge accounting adjustments.
52. **Derivatives (continued)**

52.8 Derivatives designated as fair value hedging instruments to protect against interest rate risk

Fair value hedges are used by the Bank to protect against changes in fair value of financial instruments due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include loans, available-for-sale assets, debt securities and borrowed funds.

The Bank’s fair value hedges principally consist of interest rate swaps that are used to protect against changes in market interest rates.

Gains and losses on hedging instruments and hedged items:

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Financial assets – fair value hedges</td>
<td></td>
</tr>
<tr>
<td>(Losses)/gains on hedged assets (refer to note 25)</td>
<td>(1 591)</td>
</tr>
<tr>
<td>Gains/(losses) on hedging instruments (refer to note 25)</td>
<td>1 444</td>
</tr>
<tr>
<td>Interest expense on hedging instruments (refer to note 25)</td>
<td>(265)</td>
</tr>
<tr>
<td>Financial liabilities – fair value hedges</td>
<td></td>
</tr>
<tr>
<td>Gains on hedged items (liabilities) (refer to note 26)</td>
<td>582</td>
</tr>
<tr>
<td>(Losses)/gains on hedging instruments (liabilities) (refer to note 26)</td>
<td>(842)</td>
</tr>
<tr>
<td>Interest income on hedging instruments (refer to note 26)</td>
<td>144</td>
</tr>
</tbody>
</table>

Movement in fair value that was recognised in profit or loss in relation to hedge ineffectiveness is:

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Gains and losses from banking and trading activities (refer to note 28)</td>
<td>38</td>
</tr>
</tbody>
</table>

52.9 Counterparty netting and collateral

Derivative assets subject to counterparty netting agreements amounted to **R76 478m** (2014: R48 685m). Additionally, the Bank held **R6 330m** (2014: R3 965m) of collateral against the net derivative asset exposure.

OTC traded instruments are subject to counterparty credit risk as the related cash flows are not guaranteed by an independent third party. This risk is mitigated by means of netting agreements. The International Swaps and Derivatives Association (“ISDA”) Master Agreement is used by the Bank. The ISDA Master Agreement and all the confirmations entered into under it, form a single agreement. This allows the parties to an ISDA Master Agreement to aggregate the amounts owing by each of them under all of the transactions outstanding under that ISDA Master Agreement and to replace them with a single net amount payable by one party to the other.
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### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Designated at fair value</th>
<th>Held for trading</th>
<th>Hedging instruments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Investment securities</td>
<td>19 697</td>
<td>—</td>
<td>—</td>
<td>19 697</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>24 328</td>
<td>—</td>
<td>—</td>
<td>24 328</td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>—</td>
<td>114 450</td>
<td>—</td>
<td>114 450</td>
</tr>
<tr>
<td>Hedging portfolio assets¹</td>
<td>—</td>
<td>—</td>
<td>2 216</td>
<td>2 216</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>17</td>
<td>—</td>
<td>—</td>
<td>17</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>29 423</td>
<td>—</td>
<td>—</td>
<td>29 423</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Assets outside the scope of IAS 39</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>73 466</td>
<td>114 450</td>
<td>2 216</td>
<td>190 132</td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Designated at fair value</th>
<th>Held for trading</th>
<th>Hedging instruments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from banks</td>
<td>16 632</td>
<td>—</td>
<td>—</td>
<td>16 632</td>
</tr>
<tr>
<td>Trading portfolio liabilities</td>
<td>—</td>
<td>87 567</td>
<td>—</td>
<td>87 567</td>
</tr>
<tr>
<td>Hedging portfolio liabilities²</td>
<td>—</td>
<td>—</td>
<td>4 531</td>
<td>4 531</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>17 811</td>
<td>—</td>
<td>—</td>
<td>17 811</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>6 723</td>
<td>—</td>
<td>—</td>
<td>6 723</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Liabilities outside the scope of IAS 39</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>41 166</td>
<td>87 567</td>
<td>4 531</td>
<td>133 264</td>
</tr>
</tbody>
</table>

Notes:

1. Includes derivative assets to the amount of R192m (31 December 2014: R116m) and R2 024m (31 December 2014: R1 219m) that have been designated as cash flow and fair value hedging instruments respectively.

2. Includes derivative liabilities to the amount of R2 827m (31 December 2014: R4 747m) and R1 704m (31 December 2014: R2 103m) that have been designated as cash flow and fair value hedging instruments respectively.

3. Includes items designated as hedged items in fair value hedging relationships.

4. Includes non-financial assets and liabilities and financial instruments outside the scope of IAS 39.
## Consolidated statement of financial position

| Liabilities outside the scope of IAS 39 | — — — — | Borrowed funds | 5 280 |
| Debt securities in issue | — — — — | 19 216 |
| Deposits due to customers | — — — — | Other financial liabilities |
| Hedging portfolio liabilities | 2 — — 2 577 | 2 577 |
| Trading portfolio liabilities | — | 19 609 |
| Deposits from banks | Liabilities |
| Assets outside the scope of IAS 39 | — — — — | Loans to Group companies | — |
| Loans and advances to customers | 10 895 |
| Other financial assets | — — — 17 | 17 |
| Hedging portfolio assets | 1 — — 2 335 | 2 335 |
| Trading portfolio assets | — | 24 328 |
| Loans and advances to banks | 20 523 |
| Investment securities | 19 096 |
| Cash, cash balances and balances with central banks | — — — — | Assets |

### Summary – IAS 39 classification

**2015**

<table>
<thead>
<tr>
<th>Available-for-sale</th>
<th>Amortised cost</th>
<th>Assets/liabilities outside the scope of IAS 39</th>
<th>Total assets and liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designated as available-for-sale Rm</td>
<td>Hedged items (^1) Rm</td>
<td>Total Rm</td>
<td>Designated at amortised cost Rm</td>
</tr>
<tr>
<td>15 088</td>
<td>38 280</td>
<td>53 368</td>
<td>26 100</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>34 257</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2 577</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>17 354</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>572 472</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>23 850</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>15 027</td>
</tr>
</tbody>
</table>

| 15 088 | 38 280 | 53 368 | 674 033 | 107 | 674 140 | — | 18 501 |
| 936 141 |

**2014**

<table>
<thead>
<tr>
<th>Available-for-sale</th>
<th>Amortised cost</th>
<th>Assets/liabilities outside the scope of IAS 39</th>
<th>Total assets and liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designated as available-for-sale Rm</td>
<td>Hedged items (^1) Rm</td>
<td>Total Rm</td>
<td>Designated at amortised cost Rm</td>
</tr>
<tr>
<td>11 602</td>
<td>39 920</td>
<td>51 522</td>
<td>21 419</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>27 076</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2 216</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>17 400</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>11 316</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>502 440</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>86 880</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>6 825</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2 859</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>641 956</td>
</tr>
</tbody>
</table>

**Total assets**

Rm 814 061
54. Fair value disclosures
54.1 Assets and liabilities held at fair value

The table below shows the Bank’s assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety.

<table>
<thead>
<tr>
<th>Recurring fair value measurements</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1 Rm</td>
<td>Level 2 Rm</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash balances and balances</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>with central banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>46 507</td>
<td>25 273</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>—</td>
<td>22 219</td>
</tr>
<tr>
<td>Trading and hedging portfolio</td>
<td>20 083</td>
<td>95 168</td>
</tr>
<tr>
<td>assets</td>
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<td></td>
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<tr>
<td>Debt instruments</td>
<td>18 674</td>
<td>7 957</td>
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<tr>
<td>Derivative assets</td>
<td>—</td>
<td>79 235</td>
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<tr>
<td>Commodity derivatives</td>
<td>—</td>
<td>223</td>
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<tr>
<td>Credit derivatives</td>
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<td>885</td>
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<tr>
<td>Equity derivatives</td>
<td>—</td>
<td>2 118</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>—</td>
<td>26 996</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
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<td>49 013</td>
</tr>
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<td>Equity instruments</td>
<td>1 409</td>
<td>—</td>
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<td>7 976</td>
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<tr>
<td>Other assets</td>
<td>—</td>
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<td>Loans and advances to customers</td>
<td>3 273</td>
<td>22 219</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>66 593</td>
<td>164 570</td>
</tr>
</tbody>
</table>

Financial liabilities

Deposits from banks                 | 16 625 | 7 | 16 632 | 7 16 609 | 19 609 | 19 609 |
Trading and hedging portfolio      | 1 242  | 90 640 | 216 | 92 098  | 2 795 | 44 042 | 320 | 47 157 |
liabilities                         |        |        |        |         |        |        |        |         |
Derivative liabilities              | 90 640 | 216 | 90 856 | 2 44 042 | 320 | 44 362 |
Commodity derivatives               | 440    | — | 440    | — | 308 | — | 308 |
Credit derivatives                  | 879    | 14 | 893    | — | 324 | 39 | 363 |
Equity derivatives                  | 3 768  | 57 | 3 825  | — | 1 296 | 188 | 1 494 |
Foreign exchange derivatives        | 28 193 | — | 28 193 | — | 9 391 | 7 | 9 398 |
Interest rate derivatives           | 57 360 | 145 | 57 505 | 32 183 | 76 | 32 259 |
Short positions                     | 1 242  | — | 1 242  | 2 795 | 2 795 |
Deposits due to customers           | 110    | 15 144 | 2 557 | 17 811  | 80 | 13 606 | 5 530 | 19 216 |
Debt securities in issue            | 678    | 5 421 | 624 | 6 727 | 2 | 5 236 | 42 | 5 280 |
Total financial liabilities         | 2 030  | 127 830| 3 404 | 133 264 | 2 877 | 82 493 | 5 892 | 91 262 |
Non-financial assets                | 2 005  | — | 2 005  | 1 700 | 1 700 |
Commodities                         | 518    | 518 | 518    | 252 | 252 |
Non-recurring fair value            |        |        |        |         |        |        |        |         |
measurements                        |        |        |        |         |        |        |        |         |
Non-current assets held for sale    | 109    | 109 | 109    | 250 | 250 |

Note
1 Includes certain items classified in terms of the requirements of IFRS 5 which are measured in terms of their respective standards.
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### 54. Fair value disclosures (continued)

#### 54.2 Reconciliation of Level 3 assets and liabilities

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets and liabilities is set out below:

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
<th>2015</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trading and hedging portfolio assets</td>
<td>Other assets</td>
<td>Loans and advances to customers</td>
<td>Loans and advances to banks</td>
<td>Investment securities</td>
<td></td>
<td></td>
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<td>Rm</td>
<td>Rm</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Opening balance at the beginning of the reporting period</td>
<td>1 151</td>
<td>17</td>
<td>4 731</td>
<td>—</td>
<td>2 316</td>
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<td>78</td>
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<td></td>
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<tr>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>35</td>
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<td></td>
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<tr>
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<td>5 108</td>
<td>2 127</td>
<td>(1 172)</td>
<td></td>
<td></td>
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<tr>
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<td>(2 816)</td>
<td>—</td>
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<tr>
<td>Movement in other comprehensive income</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>112</td>
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<tr>
<td>Issues</td>
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<tr>
<td>Settlements</td>
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<td>Transferred to/(from)</td>
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<tr>
<td>Movement in/(out of) Level 3</td>
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</tr>
<tr>
<td>Closing balance at the end of the reporting period</td>
<td>1 415</td>
<td>17</td>
<td>7 511</td>
<td>2 109</td>
<td>2 854</td>
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<th>Bank</th>
<th>2014</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trading and hedging portfolio assets</td>
<td>Other assets</td>
<td>Loans and advances to customers</td>
<td>Loans and advances to banks</td>
<td>Investment securities</td>
<td></td>
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<tr>
<td>Opening balance at the beginning of the reporting period</td>
<td>1 037</td>
<td>16</td>
<td>6 477</td>
<td>—</td>
<td>2 313</td>
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<td></td>
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<tr>
<td>Movement in other comprehensive income</td>
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<td>—</td>
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<td>—</td>
<td>5</td>
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<td></td>
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<tr>
<td>Net interest income</td>
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<td>373</td>
<td>—</td>
<td>69</td>
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<td></td>
<td></td>
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<tr>
<td>Gains and losses from banking and trading activities</td>
<td>173</td>
<td>—</td>
<td>(29)</td>
<td>—</td>
<td>(7)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Gains and losses from investment activities</td>
<td>—</td>
<td>—</td>
<td>2</td>
<td>—</td>
<td>(83)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Purchases</td>
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<td>143</td>
<td>—</td>
<td>9</td>
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<td></td>
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<tr>
<td>Sales</td>
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<td>—</td>
<td>(620)</td>
<td>—</td>
<td>(9)</td>
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<td>Settlements</td>
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<td>—</td>
<td>—</td>
<td>(1 615)</td>
<td>—</td>
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<tr>
<td>Movement in/(out of) Level 3</td>
<td>(22)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Closing balance at the end of the reporting period</td>
<td>1 151</td>
<td>17</td>
<td>4 731</td>
<td>—</td>
<td>2 316</td>
<td></td>
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</tr>
</tbody>
</table>

#### 54.2.1 Significant transfers between levels

During the previous reporting period, it was determined that significant transfers between levels of the assets and liabilities held at fair value occurred. Treasury bills of R18.5bn were transferred from Level 1 to Level 2, as these are held in an inactive market.

Transfers out of Level 3 and into Level 2 arise where unobservable inputs become observable and/or unobservable inputs are no longer considered to be significant to the valuation of an instrument.

Transfers have been reflected as if they had taken place at the beginning of the year.
## 54. Fair value disclosures

(continued)

### 54.2 Reconciliation of Level 3 assets and liabilities

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets and liabilities is set out below:

<table>
<thead>
<tr>
<th>Investment properties at fair value</th>
<th>Total assets at fair value</th>
<th>Deposits from banks</th>
<th>Deposits due to customers</th>
<th>Debt securities in issue</th>
<th>Total liabilities at fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment properties</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Bank</td>
<td>2015</td>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading and hedging portfolio</td>
<td>252</td>
<td>1 037</td>
<td>542</td>
<td>7 138</td>
<td>35</td>
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<tr>
<td>liabilities</td>
<td>—</td>
<td>—</td>
<td>(8)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deposits to customers</td>
<td>—</td>
<td>—</td>
<td>(1)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>—</td>
<td>—</td>
<td>(1 501)</td>
<td>6</td>
<td>(1 557)</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>518</td>
<td>12 855</td>
<td>216</td>
<td>2 557</td>
<td>624</td>
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<td>Debt securities in issue</td>
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<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total liabilities at fair value</td>
<td>—</td>
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</tbody>
</table>

During the previous reporting period, it was determined that significant transfers between levels of the assets and liabilities held at fair value occurred. Treasury bills of R18,5bn were transferred from Level 1 to Level 2, as these are held in an inactive market.

Transfers out of Level 3 and into Level 2 arise where unobservable inputs become observable and/or unobservable inputs are no longer considered to be significant to the valuation of an instrument.

Transfers have been reflected as if they had taken place at the beginning of the year.
### 54. Fair value disclosures (continued)

#### 54.3 Unrealised gains and losses on Level 3 assets and liabilities

The total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
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<tbody>
<tr>
<td></td>
<td>2015</td>
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</tr>
<tr>
<td>Trading and</td>
<td></td>
<td>Loans and advances to</td>
<td>Investment securities</td>
<td>Investment properties</td>
<td>Non-current</td>
<td>Total assets at fair value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>hedging portfolio</td>
<td>Rm</td>
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<td>Rm</td>
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<td>Rm</td>
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<td></td>
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<tr>
<td>assets</td>
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<tr>
<td>Gains and losses from</td>
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<tr>
<td>banking and trading</td>
<td>96</td>
<td>(28)</td>
<td>48</td>
<td>—</td>
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<td>116</td>
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<td>2014</td>
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<td>Trading and</td>
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<td>Loans and advances to</td>
<td>Investment securities</td>
<td>Investment properties</td>
<td>Non-current</td>
<td>Total assets at fair value</td>
<td></td>
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<td>Rm</td>
<td>customers</td>
<td>Rm</td>
<td>Rm</td>
<td>assets held for sale</td>
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<td>—</td>
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<td>Total liabilities at</td>
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<td>Trading and</td>
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<td>Other liabilities</td>
<td>Deposits due to</td>
<td>Debt securities in</td>
<td>Total liabilities at</td>
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<tr>
<td>Gains and losses from</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>banking and trading</td>
<td>(116)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(116)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
54. Fair value disclosures (continued)

54.4 Sensitivity analysis of valuations using unobservable inputs

As part of the Bank’s risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The assets and liabilities that most impact this sensitivity analysis are those within the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations.

The following table reflects how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 financial assets and liabilities:

<table>
<thead>
<tr>
<th>Significant unobservable parameter</th>
<th>Positive/(negative) variance applied to parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit spreads</td>
<td>100/(100) bps</td>
</tr>
<tr>
<td>Volatilities</td>
<td>10/(10)%</td>
</tr>
<tr>
<td>Basis curves</td>
<td>100/(100) bps</td>
</tr>
<tr>
<td>Yield curves and repo curves</td>
<td>100/(100) bps</td>
</tr>
<tr>
<td>Future earnings and marketability discounts</td>
<td>15/(15)%</td>
</tr>
<tr>
<td>Funding spreads</td>
<td>100/(100) bps</td>
</tr>
</tbody>
</table>

A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value asset or liability of more than 10% of the underlying value of the affected item.

This is demonstrated by the following sensitivity analysis which includes reasonable ranges of possible outcomes:

<table>
<thead>
<tr>
<th>Significant unobservable parameters</th>
<th>2015 Potential effect recorded in profit or loss</th>
<th>2015 Potential effect recorded directly in equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits due to customers</td>
<td>BAGL/Absa funding spread</td>
<td>Favourable/(Unfavourable) Rm</td>
</tr>
<tr>
<td>Investment securities and investments linked to investment contracts</td>
<td>Risks adjustment yield curves, future earnings and marketability discount</td>
<td>Favourable/(Unfavourable) Rm</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>Credit spreads</td>
<td>235/246 Rm</td>
</tr>
<tr>
<td>Other assets</td>
<td>Volatility, credit spreads</td>
<td>—/— Rm</td>
</tr>
<tr>
<td>Trading and hedging portfolio assets</td>
<td>Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads</td>
<td>107/107 Rm</td>
</tr>
<tr>
<td>Trading and hedging portfolio liabilities</td>
<td>Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads</td>
<td>15/15 Rm</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>Volatility, credit spreads</td>
<td>—/— Rm</td>
</tr>
<tr>
<td></td>
<td></td>
<td>357/368 Rm</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Significant unobservable parameters</th>
<th>2014 Potential effect recorded in profit or loss</th>
<th>2014 Potential effect recorded directly in equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits due to customers</td>
<td>BAGL/Absa funding spread</td>
<td>Favourable/(Unfavourable) Rm</td>
</tr>
<tr>
<td>Investment securities and investments linked to investment contracts</td>
<td>Risk adjustment yield curves, future earnings and marketability discount</td>
<td>131/131 Rm</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>Credit spreads</td>
<td>1 037/23 Rm</td>
</tr>
<tr>
<td>Other assets</td>
<td>Volatility, credit spreads</td>
<td>3/3 Rm</td>
</tr>
<tr>
<td>Trading and hedging portfolio assets</td>
<td>Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads</td>
<td>34/34 Rm</td>
</tr>
<tr>
<td>Trading and hedging portfolio liabilities</td>
<td>Volatility, credit spreads, basis curves, yield curves, repo curves, funding spreads</td>
<td>1 205/191 Rm</td>
</tr>
</tbody>
</table>

Notes to the consolidated financial statements
for the reporting period ended 31 December
54. **Fair value disclosures (continued)**

54.5 **Unrecognised (losses)/gains as a result of the use of valuation models using unobservable inputs**

The amount that has yet to be recognised in the statement of comprehensive income that relates to the difference between the transaction price and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance at the beginning of the reporting period</td>
<td>(52)</td>
<td>(55)</td>
</tr>
<tr>
<td>New transactions</td>
<td>(91)</td>
<td>(23)</td>
</tr>
<tr>
<td>Amounts recognised in profit or loss during the reporting period</td>
<td>38</td>
<td>26</td>
</tr>
<tr>
<td>Closing balance at the end of the reporting period</td>
<td>(105)</td>
<td>(52)</td>
</tr>
</tbody>
</table>

54.6 **Third-party credit enhancements**

There were no significant liabilities measured at fair value and issued with inseparable third-party credit enhancements during the current and prior reporting period.
54. **Fair value disclosures (continued)**

54.7 **Assets and liabilities not held at fair value**

The following table summarises the carrying amount and fair value of those assets and liabilities not held at fair value.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Carry value</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances with the SARB</td>
<td>17 459</td>
<td>17 459</td>
<td>17 459</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Coins and bank notes</td>
<td>8 607</td>
<td>8 607</td>
<td>8 607</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Money market assets</td>
<td>34</td>
<td>34</td>
<td>34</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>26 100</td>
<td>26 100</td>
<td>26 100</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>34 257</td>
<td>34 257</td>
<td>2 014</td>
<td>30 059</td>
<td>2 184</td>
</tr>
<tr>
<td>Other assets</td>
<td>17 354</td>
<td>17 354</td>
<td>12 758</td>
<td>3 006</td>
<td>1 590</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>362 303</td>
<td>361 273</td>
<td>—</td>
<td>—</td>
<td>361 273</td>
</tr>
<tr>
<td>Credit cards</td>
<td>29 515</td>
<td>29 515</td>
<td>—</td>
<td>—</td>
<td>29 515</td>
</tr>
<tr>
<td>Installment credit agreements</td>
<td>72 860</td>
<td>71 798</td>
<td>—</td>
<td>—</td>
<td>71 798</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>16 176</td>
<td>16 176</td>
<td>—</td>
<td>16 176</td>
<td>—</td>
</tr>
<tr>
<td>Mortgages</td>
<td>225 431</td>
<td>225 441</td>
<td>—</td>
<td>—</td>
<td>225 441</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>343</td>
<td>343</td>
<td>—</td>
<td>—</td>
<td>343</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>2 819</td>
<td>2 819</td>
<td>—</td>
<td>—</td>
<td>2 819</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>15 159</td>
<td>15 181</td>
<td>—</td>
<td>—</td>
<td>15 181</td>
</tr>
<tr>
<td>Business Banking</td>
<td>63 434</td>
<td>63 462</td>
<td>1 093</td>
<td>—</td>
<td>62 369</td>
</tr>
<tr>
<td>Mortgages (including CPF)</td>
<td>30 730</td>
<td>30 742</td>
<td>—</td>
<td>—</td>
<td>30 742</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>18 159</td>
<td>18 175</td>
<td>1 093</td>
<td>—</td>
<td>17 082</td>
</tr>
<tr>
<td>Term loans</td>
<td>14 523</td>
<td>14 523</td>
<td>—</td>
<td>—</td>
<td>14 523</td>
</tr>
<tr>
<td>RBB Rest of Africa</td>
<td>22</td>
<td>22</td>
<td>—</td>
<td>—</td>
<td>22</td>
</tr>
<tr>
<td>CIB</td>
<td>140 796</td>
<td>140 796</td>
<td>21 052</td>
<td>34 977</td>
<td>84 767</td>
</tr>
<tr>
<td>Wealth</td>
<td>5 350</td>
<td>5 350</td>
<td>—</td>
<td>—</td>
<td>5 350</td>
</tr>
<tr>
<td>Head Office and other operations</td>
<td>696</td>
<td>696</td>
<td>—</td>
<td>449</td>
<td>247</td>
</tr>
<tr>
<td>Loans and advances to customers – net of impairment losses</td>
<td>572 579</td>
<td>571 577</td>
<td>22 145</td>
<td>35 426</td>
<td>514 006</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>23 850</td>
<td>23 958</td>
<td>—</td>
<td>23 958</td>
<td>—</td>
</tr>
<tr>
<td>Total assets</td>
<td>674 140</td>
<td>673 246</td>
<td>63 017</td>
<td>92 449</td>
<td>517 780</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>44 394</td>
<td>44 394</td>
<td>7 233</td>
<td>36 828</td>
<td>333</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>16 346</td>
<td>16 250</td>
<td>6 840</td>
<td>7 895</td>
<td>1 515</td>
</tr>
<tr>
<td>Call deposits</td>
<td>72 130</td>
<td>72 130</td>
<td>68 991</td>
<td>3 139</td>
<td>—</td>
</tr>
<tr>
<td>Cheque account deposits</td>
<td>150 842</td>
<td>150 842</td>
<td>150 840</td>
<td>2</td>
<td>—</td>
</tr>
<tr>
<td>Credit card deposits</td>
<td>2 002</td>
<td>2 002</td>
<td>2 002</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>118 278</td>
<td>118 390</td>
<td>465</td>
<td>117 915</td>
<td>10</td>
</tr>
<tr>
<td>Foreign currency deposits</td>
<td>26 168</td>
<td>26 168</td>
<td>465</td>
<td>25 703</td>
<td>—</td>
</tr>
<tr>
<td>Notice deposits</td>
<td>48 954</td>
<td>48 963</td>
<td>1 376</td>
<td>47 587</td>
<td>—</td>
</tr>
<tr>
<td>Other deposits</td>
<td>1 943</td>
<td>1 943</td>
<td>1 209</td>
<td>—</td>
<td>734</td>
</tr>
<tr>
<td>Saving and transmission deposits</td>
<td>122 522</td>
<td>122 522</td>
<td>120 899</td>
<td>1 623</td>
<td>—</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>542 839</td>
<td>542 960</td>
<td>346 247</td>
<td>195 969</td>
<td>744</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>121 730</td>
<td>119 153</td>
<td>157</td>
<td>116 900</td>
<td>2 096</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>12 954</td>
<td>13 323</td>
<td>—</td>
<td>13 323</td>
<td>—</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>738 263</td>
<td>736 080</td>
<td>360 477</td>
<td>370 915</td>
<td>4 688</td>
</tr>
</tbody>
</table>
### Notes to the consolidated financial statements
for the reporting period ended 31 December 2015

#### 54. Fair value disclosures (continued)

54.7 Assets and liabilities not held at fair value (continued)

<table>
<thead>
<tr>
<th></th>
<th>Carrying value</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances with the SARB</td>
<td>12 621</td>
<td>12 621</td>
<td>12 621</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Coins and bank notes</td>
<td>8 777</td>
<td>8 777</td>
<td>8 777</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Money market assets</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>21 419</td>
<td>21 419</td>
<td>21 419</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>27 076</td>
<td>27 021</td>
<td>3 800</td>
<td>21 152</td>
<td>2 069</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Banking</td>
<td>7 914</td>
<td>8 203</td>
<td>4 284</td>
<td>3 518</td>
<td>401</td>
</tr>
<tr>
<td>Credit cards</td>
<td>355 313</td>
<td>354 885</td>
<td>—</td>
<td>—</td>
<td>354 885</td>
</tr>
<tr>
<td>Instalment credit agreements</td>
<td>29 338</td>
<td>29 338</td>
<td>—</td>
<td>—</td>
<td>29 338</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>70 819</td>
<td>70 257</td>
<td>—</td>
<td>—</td>
<td>70 257</td>
</tr>
<tr>
<td>Mortgages</td>
<td>13 012</td>
<td>13 012</td>
<td>—</td>
<td>—</td>
<td>13 012</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>225 501</td>
<td>225 544</td>
<td>—</td>
<td>—</td>
<td>225 544</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>2 254</td>
<td>2 254</td>
<td>—</td>
<td>—</td>
<td>2 254</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>13 985</td>
<td>14 076</td>
<td>—</td>
<td>—</td>
<td>14 076</td>
</tr>
<tr>
<td><strong>Business Banking</strong></td>
<td>60 928</td>
<td>60 926</td>
<td>1 036</td>
<td>—</td>
<td>59 890</td>
</tr>
<tr>
<td>Mortgages (including CPF)</td>
<td>30 161</td>
<td>30 157</td>
<td>—</td>
<td>—</td>
<td>30 157</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>18 148</td>
<td>18 128</td>
<td>1 036</td>
<td>—</td>
<td>17 092</td>
</tr>
<tr>
<td>Term loans</td>
<td>12 619</td>
<td>12 641</td>
<td>—</td>
<td>—</td>
<td>12 641</td>
</tr>
<tr>
<td><strong>CIB</strong></td>
<td>121 250</td>
<td>120 321</td>
<td>8 393</td>
<td>31 049</td>
<td>80 879</td>
</tr>
<tr>
<td>Wealth</td>
<td>5 234</td>
<td>5 234</td>
<td>—</td>
<td>—</td>
<td>5 234</td>
</tr>
<tr>
<td>Head Office and other operations</td>
<td>901</td>
<td>901</td>
<td>492</td>
<td>—</td>
<td>409</td>
</tr>
<tr>
<td><strong>Loans and advances to customers – net of impairment losses</strong></td>
<td>543 626</td>
<td>542 267</td>
<td>9 921</td>
<td>31 049</td>
<td>501 297</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>17 740</td>
<td>21 762</td>
<td>—</td>
<td>21 369</td>
<td>393</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>617 775</td>
<td>620 672</td>
<td>39 425</td>
<td>77 088</td>
<td>504 160</td>
</tr>
</tbody>
</table>

#### Financial liabilities

<table>
<thead>
<tr>
<th></th>
<th>Carrying value</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>34 495</td>
<td>35 834</td>
<td>11 925</td>
<td>23 905</td>
<td>4</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>11 316</td>
<td>11 322</td>
<td>5 642</td>
<td>5 186</td>
<td>494</td>
</tr>
<tr>
<td>Call deposits</td>
<td>56 986</td>
<td>56 986</td>
<td>54 547</td>
<td>2 439</td>
<td>—</td>
</tr>
<tr>
<td>Cheque account deposits</td>
<td>146 568</td>
<td>146 568</td>
<td>146 568</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Credit card deposits</td>
<td>1 932</td>
<td>1 932</td>
<td>1 932</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>114 646</td>
<td>115 371</td>
<td>826</td>
<td>114 521</td>
<td>24</td>
</tr>
<tr>
<td>Foreign currency deposits</td>
<td>21 723</td>
<td>21 723</td>
<td>354</td>
<td>21 369</td>
<td>—</td>
</tr>
<tr>
<td>Notice deposits</td>
<td>49 764</td>
<td>49 843</td>
<td>1 297</td>
<td>48 514</td>
<td>32</td>
</tr>
<tr>
<td>Other deposits</td>
<td>1 972</td>
<td>1 972</td>
<td>212</td>
<td>926</td>
<td>834</td>
</tr>
<tr>
<td>Saving and transmission deposits</td>
<td>108 849</td>
<td>108 849</td>
<td>108 849</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Deposits due to customers</strong></td>
<td>502 440</td>
<td>503 244</td>
<td>314 585</td>
<td>187 769</td>
<td>890</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>99 735</td>
<td>100 100</td>
<td>3</td>
<td>100 097</td>
<td>—</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>10 535</td>
<td>10 885</td>
<td>—</td>
<td>10 885</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>658 521</td>
<td>661 385</td>
<td>332 155</td>
<td>327 842</td>
<td>1 388</td>
</tr>
</tbody>
</table>

Note  
1 These numbers have been restated, refer to note 1.19.
55. **Credit risk of financial instruments designated at fair value**

The following table represents the maximum exposure to credit risk of financial assets designated at fair value through profit or loss at the reporting date before taking into account collateral held or other credit enhancements.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Investment securities</td>
<td>18 315</td>
<td>17 468</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>24 328</td>
<td>20 523</td>
<td>20 933</td>
<td>3 648</td>
</tr>
<tr>
<td>Other assets</td>
<td>17</td>
<td>17</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>29 423</td>
<td>10 895</td>
<td>21 028</td>
<td>6 217</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>72 083</td>
<td>48 903</td>
<td><strong>41 961</strong></td>
<td><strong>9 865</strong></td>
</tr>
</tbody>
</table>

The Bank utilised credit derivatives as a mechanism to hedge its exposure to credit risk for financial instruments designated at fair value through profit or loss.

**Contractual obligation at maturity of financial liabilities designated at fair value through profit or loss**

The following table represents the carrying value of financial liabilities designated at fair value through profit or loss and the amount that the Bank is contractually required to pay to the holder of the obligation at maturity.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>16 632</td>
<td>19 957</td>
<td>19 609</td>
<td>21 898</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>17 811</td>
<td>17 811</td>
<td>19 216</td>
<td>19 217</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>6 723</td>
<td>7 596</td>
<td>5 280</td>
<td>7 319</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>41 166</td>
<td>45 364</td>
<td>44 105</td>
<td>48 434</td>
</tr>
</tbody>
</table>

**Decrease in fair value attributable to changes in own credit risk during the reporting period**

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Bank 2015</th>
<th>Bank 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>130</td>
<td>(183)</td>
</tr>
</tbody>
</table>

**Cumulative adjustment in fair value attributable to changes in own credit risk**

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Bank 2015</th>
<th>Bank 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>93</td>
<td>90</td>
</tr>
</tbody>
</table>
Notes to the consolidated financial statements
for the reporting period ended 31 December

55. Credit risk of financial instruments designated at fair value (continued)

The following approaches are used in determining changes in fair value due to changes in credit risk for loans and advances designated at fair value through profit or loss:

- The carrying amount reflects the effect on the fair value of changes in own credit spreads derived from observable market data, such as spreads on Barclays Africa Group issued funding. Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

56. Risk management

56.1 Effective risk management and control are essential for sustainable and profitable growth

The role of risk management is to evaluate, respond to and monitor risks (the ERM process) that arise in the execution of the strategy to become the ‘Go-To’ bank in Africa. It is essential that business growth plans are properly supported by an effective risk management infrastructure. Risk culture is closely aligned to that of the business, whilst retaining independence in analysis and objective decision-making.

Clear risk management objectives are in place, in addition to a well-established risk strategy, delivered through core risk management processes. The approach to managing risk is contained in the Enterprise Risk Management Framework (“ERMF”). The ERMF defines the risk management process and sets out the activities, tools, techniques and organisational arrangements so that material risks can be better identified and managed. It also ensures that appropriate responses are in place to protect the Bank and prevent detriment to its customers, colleagues or community, thereby enabling the Bank to meets its goals and enhancing its ability to respond to new opportunities.

The ERMF includes those risks incurred by the Bank that are foreseeable, continuous, and material enough to merit establishing specific group-wide control frameworks. These are known as Key Risks and are grouped into five Principal Risk categories with Reputation Risk now a Key Risk under Conduct Risk. For each risk, a control framework with supporting policies and standards outlines risk, control, and governance.

The three lines of defence have been defined in the ERMF, the scope of which has been extended to all businesses and functions. The ERMF creates the proper context for setting standards and establishing the right practices throughout the Bank. The three lines of defence operating model enables the assignment of risk management activities appropriately between those parties that:

- Own and take risk, and implement controls (first line);
- Oversee and challenge the first line, provide independent second line risk management activity and support controls (second line); and
- Provide assurance that the ERM process is fit for purpose, and that it is being carried out as intended (third line).

The framework enables businesses and functions to be organised along the three lines, thereby enhancing the ERM process by formalising independence and challenge, while still promoting collaboration and the flow of information between all areas.

Credit risk

The risk of financial loss should the Bank’s customers, clients or market counterparts fail to fulfil their contractual obligation.
56. **Risk management** *(continued)*

56.1 Effective risk management and control are essential for sustainable and profitable growth *(continued)*

**Risk appetite**

Risk appetite and stress testing are key components of the Bank’s management of risk and are embedded as part of the strategic planning process. The risk appetite statement describes and measures the amount and types of risk that the Bank is prepared to take in executing its strategy. The Bank’s risk appetite framework combines a top-down view of capacity to take risk with a bottom-up view of the risk profile associated with each business area’s plans.

**Risk appetite key indicators and triggers**

The Bank manages its risk profile in a forward-looking manner through a trigger and management action framework. Key indicators and triggers have been developed to serve as an early warning system in the event of deteriorating circumstances. The indicators include, inter alia, economic indices directly correlated with risk measures and key financial indicators. The indicators and triggers have been implemented at Bank, Business Unit, country, and product levels, and are routinely monitored by management and reported to the GRCMC on a quarterly basis.

**Stress testing**

Stress testing is a key element of the Bank’s integrated planning process. Through the use of stress testing and scenario analysis, the Bank is able to assess the performance of the Bank’s portfolios in the expected economic environment and also evaluate the impact of adverse economic conditions.

Actual market stresses, which have been experienced throughout the financial system in recent years, have been used to inform the Bank’s capital planning process and enhance the stress scenarios employed. The Bank takes into account the results of all such stress testing when assessing the Bank’s internal and regulatory capital requirements including the setting of capital buffers.

GRCMC exercises governance oversight and approval authority over stress testing results.

**Future priorities**

- Review and alter risk appetite to take account of global and local macroeconomic deterioration.
- Increase focus on model risk and governance across the group.

56.2 **Credit risk**

**Performance**

Wholesale credit risk (unaudited)

- **Loans and advances**: growth was robust at 20.3% with increases in banking, technology, media and telecoms, agriculture and mining portfolios.
- **RWA as a percentage of gross credit extended**: decreased due to an increase in derivative instruments arising from an increase in gross credit extended.
- **Non-performing loans (“NPL’s”)**: increased due to new defaults at higher coverage Business Bank. NPL coverage ratio increased to 37.6% (2014: 37.1%).
- **Impairments**: the Wholesale credit impairment charge increased to R899m (2014: R717m) due to macroeconomic provisions of R205m.
56. Risk management (continued)

56.2 Credit risk (continued)

Future priorities
- Closely monitor changing risk trends arising as a result of macroeconomic uncertainty.
- Undertake regular portfolio reviews.
- Ensure continuing alignment of business strategy with risk appetite.
- Implement agreed management actions in response to changing economic conditions.
- Implement enhanced models and data management.

Retail credit risk (unaudited)
- Growth: The net decrease of 0.5% in Home Loans was offset by the 2% growth in Card and 3% growth in AVAF.
- RWA as a percentage of gross credit extended: increased to 33.4% from 32.6% due to new model development.
- Non-performing loans ("NPL's"): continued to decrease due to R1.6bn decline in the Home Loans legal book. The NPL coverage ratio decreased to 39.6% (2014: 41.1%) due to write-offs in mortgages and AVAF. This was offset by an increase in Credit Cards due to terminations into DC legal book.
- Impairments: The impairment charge remained flat despite additional macroeconomic provisions of R150m. The credit loss ratio reduced to 1.17% from 1.24% reflecting improvements in the quality of the Home Loans and Edcon portfolios. The loss ratio decreased in Home Loans, VAF, Edcon and Consumer Banking while it increased in Card.

Future priorities
- Further enhance collection programmes to ensure appropriate management of customers in financial difficulty.
- Continue to focus on models/analytics to improve the Bank’s risk profile, measurement and risk-adjusted returns.
- Continue to improve internal risk measurement models and processes as part of the ICAAP.
- Closely monitor risk trends arising as a result of macroeconomic uncertainty.
56. Risk management (continued)

56.2 Credit risk (continued)

The following table demonstrates the neither past due and past due loans. Past due loans are further analysed in the tables to follow.

Maximum exposure to credit risk

<table>
<thead>
<tr>
<th></th>
<th>Gross maximum exposure</th>
<th>Neither past due nor impaired</th>
<th>Total past due loans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>DG1 – 11 Rm</td>
<td>DG12 – 19 Rm</td>
</tr>
<tr>
<td>Balances with the SARB</td>
<td>17 459</td>
<td>17 459</td>
<td>—</td>
</tr>
<tr>
<td>Money market assets</td>
<td>35</td>
<td>35</td>
<td>—</td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks (refer to note 2)</td>
<td>17 494</td>
<td>17 494</td>
<td>—</td>
</tr>
<tr>
<td>Government bonds</td>
<td>45 577</td>
<td>45 577</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>5 975</td>
<td>5 975</td>
<td>—</td>
</tr>
<tr>
<td>Treasury bills</td>
<td>19 924</td>
<td>19 924</td>
<td>—</td>
</tr>
<tr>
<td>Investment securities (refer to note 3)</td>
<td>71 476</td>
<td>71 476</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to banks (refer to note 4)</td>
<td>58 585</td>
<td>46 495</td>
<td>12 090</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>27 528</td>
<td>27 528</td>
<td>—</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>77 537</td>
<td>75 704</td>
<td>1 833</td>
</tr>
<tr>
<td>Money market assets</td>
<td>7 976</td>
<td>7 265</td>
<td>711</td>
</tr>
<tr>
<td>Trading portfolio assets (refer to note 5)</td>
<td>113 041</td>
<td>110 497</td>
<td>2 544</td>
</tr>
<tr>
<td>Derivatives designated as cash flow hedging instruments</td>
<td>191</td>
<td>130</td>
<td>61</td>
</tr>
<tr>
<td>Derivatives designated as fair value hedging instruments</td>
<td>2 025</td>
<td>2 025</td>
<td>—</td>
</tr>
<tr>
<td>Hedging portfolio assets (refer to note 5)</td>
<td>2 216</td>
<td>2 155</td>
<td>61</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>10 172</td>
<td>10 166</td>
<td>—</td>
</tr>
<tr>
<td>Settlement accounts</td>
<td>7 200</td>
<td>6 474</td>
<td>726</td>
</tr>
<tr>
<td>Other assets (refer to note 6)</td>
<td>17 372</td>
<td>16 640</td>
<td>726</td>
</tr>
<tr>
<td>RBB</td>
<td>437 049</td>
<td>134 000</td>
<td>235 031</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>371 668</td>
<td>118 782</td>
<td>192 665</td>
</tr>
<tr>
<td>Credit cards</td>
<td>32 847</td>
<td>3 800</td>
<td>10 581</td>
</tr>
<tr>
<td>Instalment credit agreements</td>
<td>74 028</td>
<td>13 926</td>
<td>53 267</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>16 176</td>
<td>16 176</td>
<td>—</td>
</tr>
<tr>
<td>Mortgages</td>
<td>228 721</td>
<td>80 922</td>
<td>117 986</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>343</td>
<td>82</td>
<td>249</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>2 953</td>
<td>537</td>
<td>2 070</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>16 600</td>
<td>3 339</td>
<td>8 512</td>
</tr>
<tr>
<td>Business Banking</td>
<td>65 358</td>
<td>15 195</td>
<td>42 366</td>
</tr>
<tr>
<td>Mortgages (including CPF)</td>
<td>31 636</td>
<td>6 885</td>
<td>20 793</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>18 804</td>
<td>4 443</td>
<td>12 443</td>
</tr>
<tr>
<td>Term loans</td>
<td>14 918</td>
<td>3 867</td>
<td>9 130</td>
</tr>
<tr>
<td>RBB Rest of Africa</td>
<td>23</td>
<td>23</td>
<td>—</td>
</tr>
<tr>
<td>CIB</td>
<td>170 833</td>
<td>127 914</td>
<td>39 348</td>
</tr>
<tr>
<td>Wealth</td>
<td>5 415</td>
<td>678</td>
<td>4 141</td>
</tr>
<tr>
<td>Head office and other operations</td>
<td>700</td>
<td>700</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to customers (refer to note 8)</td>
<td>613 997</td>
<td>263 292</td>
<td>278 520</td>
</tr>
<tr>
<td>Loans and advances to Group companies</td>
<td>23 850</td>
<td>23 850</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to Group companies (refer to note 10)</td>
<td>23 850</td>
<td>23 850</td>
<td>—</td>
</tr>
<tr>
<td>Total gross maximum exposure to credit risk</td>
<td>918 031</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Impairments raised (refer to note 9)</td>
<td>(11 995)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total net exposure to credit risk as disclosed on the statement of financial position</td>
<td>906 036</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Assets not subject to credit risk</td>
<td>30 105</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total assets per the statement of financial position</td>
<td>936 141</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Note
1 Refer to note 1.2 for DG bucket definitions.
56. Risk management (continued)

56.2 Credit risk (continued)

Maximum exposure to credit risk (continued)

<table>
<thead>
<tr>
<th></th>
<th>Bank 2014¹</th>
<th>Neither past due nor impaired²</th>
<th>Total past due loans Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DG1 – 11</td>
<td>DG12 – 19</td>
<td>DG20 – 21</td>
</tr>
<tr>
<td>Gross maximum exposure Rm</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances with the SARB</td>
<td>12 621</td>
<td>12 621</td>
<td>—</td>
</tr>
<tr>
<td>Money market assets</td>
<td>21</td>
<td>21</td>
<td>—</td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks (refer to note 2)</td>
<td>12 642</td>
<td>12 642</td>
<td>—</td>
</tr>
<tr>
<td>Government bonds</td>
<td>47 128</td>
<td>47 128</td>
<td>—</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>3 117</td>
<td>3 107</td>
<td>10</td>
</tr>
<tr>
<td>Treasury bills</td>
<td>18 526</td>
<td>18 526</td>
<td>—</td>
</tr>
<tr>
<td>Investment securities (refer to note 3)</td>
<td>68 771</td>
<td>68 761</td>
<td>10</td>
</tr>
<tr>
<td>Loans and advances to banks (refer to note 4)</td>
<td>47 599</td>
<td>45 839</td>
<td>1 760</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>30 046</td>
<td>28 441</td>
<td>1 605</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>40 295</td>
<td>39 709</td>
<td>586</td>
</tr>
<tr>
<td>Money market assets</td>
<td>5 584</td>
<td>5 262</td>
<td>322</td>
</tr>
<tr>
<td>Trading portfolio assets (refer to note 5)</td>
<td>75 925</td>
<td>73 412</td>
<td>2 513</td>
</tr>
<tr>
<td>Derivatives designated as cash flow hedging instruments</td>
<td>1 116</td>
<td>1 083</td>
<td>33</td>
</tr>
<tr>
<td>Derivatives designated as fair value hedging instruments</td>
<td>1 219</td>
<td>1 194</td>
<td>25</td>
</tr>
<tr>
<td>Hedging portfolio assets (refer to note 5)</td>
<td>2 335</td>
<td>2 277</td>
<td>58</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>6 737</td>
<td>6 271</td>
<td>454</td>
</tr>
<tr>
<td>Settlement accounts</td>
<td>1 194</td>
<td>1 194</td>
<td>—</td>
</tr>
<tr>
<td>Other assets (refer to note 6)</td>
<td>7 931</td>
<td>7 465</td>
<td>454</td>
</tr>
<tr>
<td>RBB</td>
<td>428 214</td>
<td>116 936</td>
<td>241 111</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>365 121</td>
<td>102 038</td>
<td>202 211</td>
</tr>
<tr>
<td>Credit cards</td>
<td>32 684</td>
<td>3 701</td>
<td>11 342</td>
</tr>
<tr>
<td>Installment credit agreements</td>
<td>71 850</td>
<td>12 218</td>
<td>53 843</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>13 012</td>
<td>3 269</td>
<td>9 575</td>
</tr>
<tr>
<td>Mortgages</td>
<td>229 512</td>
<td>80 046</td>
<td>117 613</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>404</td>
<td>91</td>
<td>296</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>2 369</td>
<td>318</td>
<td>1 763</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>15 290</td>
<td>2 395</td>
<td>7 779</td>
</tr>
<tr>
<td>Business Banking</td>
<td>63 093</td>
<td>14 898</td>
<td>38 900</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mortgages (including CPF)³</td>
<td>3 341</td>
<td>6 846</td>
<td>19 690</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>18 725</td>
<td>4 689</td>
<td>11 981</td>
</tr>
<tr>
<td>Term loans</td>
<td>13 027</td>
<td>3 363</td>
<td>7 229</td>
</tr>
<tr>
<td>CIB</td>
<td>132 386</td>
<td>95 285</td>
<td>35 043</td>
</tr>
<tr>
<td>Wealth⁴</td>
<td>5 316</td>
<td>856</td>
<td>3 497</td>
</tr>
<tr>
<td>Head Office and other operations</td>
<td>928</td>
<td>918</td>
<td>10</td>
</tr>
<tr>
<td>Loans and advances to customers (refer to note 8)</td>
<td>566 844</td>
<td>213 995</td>
<td>279 661</td>
</tr>
<tr>
<td>Loans and advances to Group companies</td>
<td>17 740</td>
<td>17 740</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to Group companies (refer to note 10)</td>
<td>17 740</td>
<td>17 740</td>
<td>—</td>
</tr>
<tr>
<td>Total gross maximum exposure to credit risk</td>
<td>799 787</td>
<td>799 787</td>
<td>799 787</td>
</tr>
<tr>
<td>Impairments raised (refer to note 9)</td>
<td>(12 323)</td>
<td>(12 323)</td>
<td>(12 323)</td>
</tr>
<tr>
<td>Total net exposure to credit risk as disclosed on the statement of financial position</td>
<td>787 464</td>
<td>787 464</td>
<td>787 464</td>
</tr>
<tr>
<td>Assets not subject to credit risk</td>
<td>26 597</td>
<td>26 597</td>
<td>26 597</td>
</tr>
<tr>
<td>Total assets per the statement of financial position</td>
<td>814 061</td>
<td>814 061</td>
<td>814 061</td>
</tr>
</tbody>
</table>

Notes
1. These numbers have been restated, refer to note 1.19.
2. Refer to note 1.2 for DG bucket definitions.
3. In the current period comparisons have been restated as it was determined that the nature of certain loans to associates is closely linked to mortgages. This resulted in the allocation of R305m out of loans to associates and joint ventures to mortgages.
4. In the current period more accurate information was obtained relating to the DG categorisation of neither past due nor impaired loans resulting in the 2014 comparatives being restated accordingly. The resultant impact of the restatement is a decrease of R81m, R328m and R42m in the DG 1-11, DG 12-9 and DG 20-21 categories respectively and an increase of R451m in total past due loans.
56. Risk management (continued)
56.2 Credit risk (continued)

Credit exposures relating to off-statement of financial position items

For financial guarantees, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial guarantee contracts (refer to note 45)</td>
<td>24</td>
<td>96</td>
</tr>
<tr>
<td>Guarantees (refer to note 47)</td>
<td>31 266</td>
<td>28 076</td>
</tr>
<tr>
<td>Irrevocable debt facilities (refer to note 47)</td>
<td>138 807</td>
<td>114 614</td>
</tr>
<tr>
<td>Letters of credit (refer to note 47)</td>
<td>6 319</td>
<td>3 756</td>
</tr>
<tr>
<td>Other (refer to note 47)</td>
<td>21</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>176 437</strong></td>
<td><strong>146 549</strong></td>
</tr>
</tbody>
</table>

Concentrations of credit risk

Concentration of credit risk exists when a number of counterparties are located in a geographical region, such that their ability to meet contractual obligations is similarly affected by changes in economic or other conditions.

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Asia, Americas and Australia</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
</tr>
<tr>
<td>On-statement of financial position exposure</td>
<td></td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>34</td>
</tr>
<tr>
<td>Investment securities</td>
<td>1 402</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>12 756</td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>164</td>
</tr>
<tr>
<td>Hedging portfolio assets</td>
<td>34</td>
</tr>
<tr>
<td>Other assets</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>2 796</td>
</tr>
<tr>
<td>Loans and advances to Group companies</td>
<td>—</td>
</tr>
<tr>
<td><strong>Subject to credit risk</strong></td>
<td><strong>17 186</strong></td>
</tr>
</tbody>
</table>

Off-statement of financial position exposures

| | | |
| | Financial guarantee contracts | |
| | Guarantees | 899 | 802 | 790 | 28 775 | 31 266 |
| | Irrevocable debt facilities | — | — | 138 807 | 138 807 |
| | Letters of credit | 2 117 | 2 212 | 421 | 1 569 | 6 319 |
| | Other | — | — | — | 21 | 21 |
| **Subject to credit risk** | **3 016** | **3 014** | **1 211** | **169 196** | **176 437** |

Note

1 Certain exposures to Europe relate to the exposure to Barclays PLC.
### Geographical concentration of risk (continued)

<table>
<thead>
<tr>
<th>Financial instrument categories</th>
<th>Asia, Americas and Australia</th>
<th>Europe²</th>
<th>Rest of Africa</th>
<th>South Africa</th>
<th>Total exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>21</td>
<td>—</td>
<td>17</td>
<td>12 604</td>
<td>12 642</td>
</tr>
<tr>
<td>Investment securities</td>
<td>—</td>
<td>—</td>
<td>29</td>
<td>68 742</td>
<td>68 771</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>3 575</td>
<td>26 414</td>
<td>3 667</td>
<td>13 943</td>
<td>47 599</td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>83</td>
<td>23 961</td>
<td>2 381</td>
<td>49 500</td>
<td>75 925</td>
</tr>
<tr>
<td>Hedging portfolio assets</td>
<td>263</td>
<td>658</td>
<td>—</td>
<td>1 414</td>
<td>2 335</td>
</tr>
<tr>
<td>Other assets</td>
<td>187</td>
<td>234</td>
<td>46</td>
<td>7 464</td>
<td>7 931</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>874</td>
<td>4 736</td>
<td>6 999</td>
<td>541 912</td>
<td>554 521</td>
</tr>
<tr>
<td>Loans and advances to Group companies</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>17 740</td>
<td>17 740</td>
</tr>
<tr>
<td><strong>Total on-statement of financial position exposures</strong></td>
<td>5 003</td>
<td>56 003</td>
<td>13 139</td>
<td>713 319</td>
<td>787 464</td>
</tr>
</tbody>
</table>

| Financial instrument categories | Family guarantee contracts | — | — | 96 | 96 |
|--------------------------------|---------------------------|——|——|——|——|
| Guarantees | 1 373 | 281 | 1 151 | 25 271 | 28 076 |
| Irrevocable debt facilities | — | — | — | 114 614 | 114 614 |
| Letters of credit | — | — | — | 3 756 | 3 756 |
| Other | — | — | — | 7 | 7 |

### IFRS disclosures in terms of credit mitigation

The financial effect and forms of collateral and credit enhancements for each class of financial instrument giving rise to credit risk are disclosed in the table to follow. The accounting policy on how the collateral impacts the impairment provisions to be carried against the financial asset balance is described further in note 1.7.5 of the Bank’s financial statements.

The Bank offsets asset and liability amounts in the statement of financial position where the ability and intention to net settle exists and the Bank has a legally enforceable right to do so. Amounts disclosed in the maximum exposure category are stated net of these.

The percentage collateral reported is calculated by determining the values of available underlying collateral, limited to the carrying value of the related credit exposure where a loan is possibly over-collateralised, and dividing this value by the maximum exposure, as reported. The percentage reported is calculated independently of other forms of collateral and the assessment of impairment losses on loans and advances.

The Bank may also obtain collateral in the form of floating charges over receivables and inventory of corporate and other business customers. The value of this collateral varies depending on the level of receivables and inventory. It is impractical to provide an estimate of the amount (fair value or nominal value) of this collateral and the value of this collateral is not reported.

### Collateral includes:

- Guarantees and/or letters of credit from third parties.
- Credit default swaps and other credit derivatives.
- Credit insurance.
- Physical collateral including highly liquid securities held under reverse repo agreements and fixed charges over property.
- Cash collateral.
- Other forms including master netting agreements and put options.

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Note

¹ These numbers have been restated, refer to note 1.19.
² Certain exposures to Europe relate to the exposure to Barclays PLC.
56. Risk management (continued)

56.2 Credit risk (continued)

### Analysis of credit risk mitigation and collateral

<table>
<thead>
<tr>
<th>Loans and advances to banks (refer to note 4)</th>
<th>Gross maximum exposure</th>
<th>Guarantees, credit insurance and credit derivatives</th>
<th>Physical collateral</th>
<th>Cash collateral</th>
<th>Other</th>
<th>Unsecured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 2015</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Loans and advances to banks (refer to note 4)</td>
<td>58 585</td>
<td>—</td>
<td>—</td>
<td>10</td>
<td>20 997</td>
<td>37 578</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>27 528</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>27 528</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>77 537</td>
<td>125</td>
<td>—</td>
<td>559</td>
<td>5 646</td>
<td>71 207</td>
</tr>
<tr>
<td>Money market assets</td>
<td>7 976</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>7 976</td>
</tr>
<tr>
<td>Trading portfolio assets (refer to note 5)</td>
<td>113 041</td>
<td>125</td>
<td>—</td>
<td>559</td>
<td>5 646</td>
<td>106 711</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>10 172</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>10 172</td>
</tr>
<tr>
<td>Settlement accounts</td>
<td>7 200</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>7 200</td>
</tr>
<tr>
<td>Other assets (refer to note 6)</td>
<td>17 372</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>17 372</td>
</tr>
<tr>
<td>RBB</td>
<td>437 049</td>
<td>163</td>
<td>321 160</td>
<td>1 141</td>
<td>3</td>
<td>114 582</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>371 668</td>
<td>2</td>
<td>282 337</td>
<td>45</td>
<td>—</td>
<td>89 284</td>
</tr>
<tr>
<td>Credit cards</td>
<td>32 847</td>
<td>2</td>
<td>59</td>
<td>34</td>
<td>—</td>
<td>32 752</td>
</tr>
<tr>
<td>Instalment credit agreements</td>
<td>74 028</td>
<td>—</td>
<td>67 165</td>
<td>11</td>
<td>—</td>
<td>6 852</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>16 176</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>16 176</td>
</tr>
<tr>
<td>Mortgages</td>
<td>228 721</td>
<td>—</td>
<td>215 113</td>
<td>—</td>
<td>—</td>
<td>13 608</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>343</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>343</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>2 953</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2 953</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>16 600</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>16 600</td>
</tr>
<tr>
<td>Business Banking</td>
<td>65 358</td>
<td>161</td>
<td>38 800</td>
<td>1 096</td>
<td>3</td>
<td>25 298</td>
</tr>
<tr>
<td>Mortgages (including CPF)</td>
<td>31 636</td>
<td>25</td>
<td>24 219</td>
<td>20</td>
<td>—</td>
<td>7 372</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>18 804</td>
<td>100</td>
<td>7 323</td>
<td>979</td>
<td>2</td>
<td>10 400</td>
</tr>
<tr>
<td>Term loans</td>
<td>14 918</td>
<td>36</td>
<td>7 258</td>
<td>97</td>
<td>1</td>
<td>7 526</td>
</tr>
<tr>
<td>RBB Rest of Africa</td>
<td>23</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>CIB</td>
<td>170 833</td>
<td>54</td>
<td>8 937</td>
<td>—</td>
<td>39 913</td>
<td>121 929</td>
</tr>
<tr>
<td>Wealth</td>
<td>5 415</td>
<td>—</td>
<td>974</td>
<td>—</td>
<td>—</td>
<td>4 441</td>
</tr>
<tr>
<td>Head office and other operations</td>
<td>700</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>700</td>
</tr>
<tr>
<td>Loans and advances to customers (refer to note 8)</td>
<td>613 997</td>
<td>217</td>
<td>331 071</td>
<td>1 141</td>
<td>39 916</td>
<td>241 652</td>
</tr>
</tbody>
</table>

For financial assets not listed in the table above no credit risk mitigation or collateral was held during the reporting period.
56. Risk management (continued)

56.2 Credit risk (continued)

<table>
<thead>
<tr>
<th>Analysis of credit risk mitigation and collateral</th>
<th>Bank 2014(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross maximum exposure Rm</td>
</tr>
<tr>
<td>Loans and advances to banks (refer to note 4)</td>
<td>47 599</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>30 046</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>40 295</td>
</tr>
<tr>
<td>Money market assets</td>
<td>5 584</td>
</tr>
<tr>
<td>Trading portfolio assets (refer to note 5)</td>
<td>75 925</td>
</tr>
<tr>
<td>RBB</td>
<td>428 214</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>365 121</td>
</tr>
<tr>
<td>Credit cards</td>
<td>32 684</td>
</tr>
<tr>
<td>Instalment credit agreements</td>
<td>71 850</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>13 012</td>
</tr>
<tr>
<td>Mortgages</td>
<td>229 512</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>404</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>2 369</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>15 290</td>
</tr>
<tr>
<td>Business Banking</td>
<td>63 093</td>
</tr>
<tr>
<td>Mortgages (including CPF)(^2)</td>
<td>31 341</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>18 725</td>
</tr>
<tr>
<td>Term loans</td>
<td>13 027</td>
</tr>
<tr>
<td>CIB</td>
<td>132 386</td>
</tr>
<tr>
<td>Wealth</td>
<td>5 316</td>
</tr>
<tr>
<td>Head Office and other operations</td>
<td>928</td>
</tr>
<tr>
<td>Loans and advances to customers (refer to note 8)</td>
<td>566 844</td>
</tr>
</tbody>
</table>

For financial assets not listed in the table above no credit risk mitigation or collateral was held during the reporting period.

Notes

\(^1\) These numbers have been restated, refer to note 1.19.

\(^2\) In the current period comparatives have been restated as it was determined that the nature of certain loans to associates is closely linked to mortgages. This resulted in the allocation of R305m out of loans to associates and joint ventures to mortgages.
56. **Risk management (continued)**

56.2 **Credit risk (continued)**

**Enforcement of collateral**

**Residential properties**

The carrying value of the assets held by the Bank at the reporting date as a result of the enforcement of collateral is as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>—</td>
<td>16</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>25</td>
<td>16</td>
</tr>
<tr>
<td>Disposals</td>
<td>(25)</td>
<td>(1)</td>
</tr>
<tr>
<td>Provisions</td>
<td>—</td>
<td>(31)</td>
</tr>
<tr>
<td><strong>Balance at the end of the reporting period</strong></td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The Bank has optimised sales strategies to manage the inflow and back-book. This has resulted in the book remaining at Rnil million, same as in the previous period.

The number of properties in possession reduced from 126 properties in the previous reporting period to 120 properties in the current reporting period. The gross PIP portfolio increased from R36m in the previous reporting period to R37m. It must be noted that 48% (2014: 53%) of the current inventory is sold pending registration.
56. Risk management (continued)

56.2 Credit risk (continued)

Analysis of past due accounts

The following table demonstrates the financial assets gross exposure that were considered past due and possible impairment were raised against during the reporting period.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total past due loans Rm</th>
<th>Past due up to one month Rm</th>
<th>Past due 1 – 2 months Rm</th>
<th>Past due 2 – 3 months Rm</th>
<th>Past due 3 – 4 months Rm</th>
<th>Past due older than 4 months Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlement accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RBB</td>
<td>45 904</td>
<td>922</td>
<td>139</td>
<td>107</td>
<td>22</td>
<td>110</td>
</tr>
<tr>
<td>Retail Banking South Africa</td>
<td></td>
<td>40 097</td>
<td>14</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Credit cards</td>
<td>6 883</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instalment credit agreements</td>
<td></td>
<td>4 848</td>
<td>14</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgages</td>
<td>25 065</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other loans and advances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overdrafts</td>
<td>344</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>2 957</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Bank South Africa</td>
<td></td>
<td>5 807</td>
<td>908</td>
<td>136</td>
<td>101</td>
<td>19</td>
</tr>
<tr>
<td>Mortgages (including CPF)</td>
<td>2 718</td>
<td>403</td>
<td>79</td>
<td>66</td>
<td>4</td>
<td>34</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>1 497</td>
<td>134</td>
<td>20</td>
<td>7</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Term loans</td>
<td>1 592</td>
<td>371</td>
<td>37</td>
<td>28</td>
<td>9</td>
<td>59</td>
</tr>
<tr>
<td>CIB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wealth</td>
<td>1 885</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head office and other operations</td>
<td></td>
<td>482</td>
<td>114</td>
<td>81</td>
<td>68</td>
<td>30</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td></td>
<td>48 271</td>
<td>1 036</td>
<td>220</td>
<td>175</td>
<td>52</td>
</tr>
</tbody>
</table>

Financial assets not disclosed in the table above did not have any past due exposures.
Notes to the consolidated financial statements
for the reporting period ended 31 December

6. Risk management
   (continued)

6.2 Credit risk
   (continued)

Analysis of past due accounts

The following table demonstrates the financial assets gross exposure that were considered past due and possible impairment were raised against during the reporting period.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Past due up to 1 month</th>
<th>Past due 1 – 2 months</th>
<th>Past due 2 – 3 months</th>
<th>Past due 3 – 4 months</th>
<th>Past due older than 4 months</th>
<th>Total non-performing loans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>RBB</td>
<td>45904</td>
<td>922</td>
<td>139</td>
<td>107</td>
<td>22</td>
<td>110</td>
</tr>
<tr>
<td>Retail Banking South Africa</td>
<td>40097</td>
<td>14</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>—</td>
</tr>
<tr>
<td>Credit cards</td>
<td>6883</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Instalment credit agreements</td>
<td>4848</td>
<td>14</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>—</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mortgages</td>
<td>25065</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>344</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>2957</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Business Bank South Africa</td>
<td>5807</td>
<td>908</td>
<td>136</td>
<td>101</td>
<td>19</td>
<td>110</td>
</tr>
<tr>
<td>Mortgages (including CPF)</td>
<td>2718</td>
<td>403</td>
<td>79</td>
<td>66</td>
<td>4</td>
<td>34</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>1497</td>
<td>134</td>
<td>20</td>
<td>7</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Term loans</td>
<td>1592</td>
<td>371</td>
<td>37</td>
<td>28</td>
<td>9</td>
<td>59</td>
</tr>
<tr>
<td>CIB</td>
<td>1885</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Wealth</td>
<td>482</td>
<td>114</td>
<td>81</td>
<td>68</td>
<td>30</td>
<td>120</td>
</tr>
<tr>
<td>Head office and other operations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

| Performing loans | Rm | Non-performing loans | Rm | Total non-performing loans | Rm |
|------------------|--|--|---------------------|--|--|-------------------------|
| Performing loans | Rm | Non-performing loans | Rm | Total non-performing loans | Rm |
### 56. Risk management (continued)

#### 56.2 Credit risk (continued)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total past due loans</th>
<th>Past due up to 1 month Rm</th>
<th>Past due 1 – 2 months Rm</th>
<th>Past due 2 – 3 months Rm</th>
<th>Past due 3 – 4 months Rm</th>
<th>Past due older than 4 months Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accounts receivable</td>
<td>8</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Other assets</td>
<td>8</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>RBB</td>
<td></td>
<td>46 142</td>
<td>984</td>
<td>230</td>
<td>42</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Retail Banking</td>
<td>39 040</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Credit cards</td>
<td>7 004</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Instalment credit agreements</td>
<td>4 036</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Loans to associates and joint ventures</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Mortgages</td>
<td>24 876</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Other loans and advances</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Overdrafts</td>
<td>283</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Personal and term loans</td>
<td>2 841</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Business Banking</td>
<td></td>
<td>7 102</td>
<td>979</td>
<td>227</td>
<td>41</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Mortgages (including CPF)</td>
<td>3 507</td>
<td>392</td>
<td>152</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Overdraft</td>
<td>1 567</td>
<td>164</td>
<td>5</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Term loans</td>
<td>2 028</td>
<td>423</td>
<td>70</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>CIB</td>
<td></td>
<td>289</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Wealth²</td>
<td></td>
<td>504</td>
<td>279</td>
<td>89</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Head Office and other operations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>46 935</td>
<td>1 263</td>
<td>319</td>
<td>47</td>
<td>31</td>
<td>25</td>
</tr>
</tbody>
</table>

Financial assets not disclosed in the table above did not have any past due accounts.

**Notes**

1. These numbers have been restated, refer to note 1.19.
2. As a result of the restatement to the DG categorisation (refer to footnote 4 in Note 63.2 “Maximum exposure to credit risk”), the total past due loans have been restated and this has resulted in a total increase of R451m allocated as R279m in past due up to one month, R89m in past due 1-2 months, R5m in past due 2-3 months, R11m in past due 3-4 months, R67m in past due older than 4 months.
56.  Risk management
(continued)
56.2
Credit risk
(continued)

<table>
<thead>
<tr>
<th>Past due not impaired</th>
<th>Past due and impaired</th>
<th>Total non-performing loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-performing loans</td>
<td>Performing loans</td>
<td>Rm</td>
</tr>
<tr>
<td>Past due up to one</td>
<td></td>
<td></td>
</tr>
<tr>
<td>month Rm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 – 2 months Rm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 – 3 months Rm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 – 4 months Rm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>older than 4 months</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>—</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>—</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>139</td>
<td>23 746</td>
<td>20 333</td>
</tr>
<tr>
<td>2</td>
<td>22 020</td>
<td>16 999</td>
</tr>
<tr>
<td>2</td>
<td>3 193</td>
<td>3 811</td>
</tr>
<tr>
<td>—</td>
<td>2 831</td>
<td>1 195</td>
</tr>
<tr>
<td>—</td>
<td>14 468</td>
<td>10 408</td>
</tr>
<tr>
<td>—</td>
<td>161</td>
<td>122</td>
</tr>
<tr>
<td>—</td>
<td>1 367</td>
<td>1 474</td>
</tr>
<tr>
<td>137</td>
<td>1 726</td>
<td>3 334</td>
</tr>
<tr>
<td>44</td>
<td>998</td>
<td>1 639</td>
</tr>
<tr>
<td>3</td>
<td>447</td>
<td>805</td>
</tr>
<tr>
<td>90</td>
<td>281</td>
<td>890</td>
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<td>—</td>
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<td>—</td>
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<td>53</td>
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<tr>
<td>139</td>
<td>23 746</td>
<td>20 675</td>
</tr>
<tr>
<td>53</td>
<td>20 333</td>
<td>21 277</td>
</tr>
</tbody>
</table>

Accounts receivable: 8
Other assets: 8
RBB: 46 142 984 230
Retail Banking: 39 040 5
Credit cards: 7 004
Instalment credit agreements: 4 036
Loans to associates and joint ventures: —
Mortgages: 24 876
Other loans and advances: —
Overdrafts: 283
Personal and term loans: 2 841
Business Banking: 7 102
Mortgages (including CPF): 3 507
Overdraft: 1 567
Term loans: 2 028
CIB: 289
Wealth: 2 504
Head Office and other operations: —

Financial assets not disclosed in the table above did not have any past due accounts.
56. Risk management (continued)

56.2 Credit risk (continued)

Allowances for impairments on loans and advances to customers

Based on the credit quality of financial assets disclosed in the previous two tables, the Bank raised the following allowances for impairments on loans and advances to customers during the reporting period.

<table>
<thead>
<tr>
<th></th>
<th>Unidentified impairment performing loans Rm</th>
<th>Identified individual impairment</th>
<th>Identified collective impairment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performing loans Rm</td>
<td>Non-performing loans Rm</td>
<td>Performing loans Rm</td>
</tr>
<tr>
<td>RBB</td>
<td>(1 308)</td>
<td>(123)</td>
<td>(1 173)</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>(767)</td>
<td>(26)</td>
<td>(122)</td>
</tr>
<tr>
<td>Credit cards</td>
<td>(125)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Instalment credit agreements</td>
<td>(265)</td>
<td>(26)</td>
<td>(122)</td>
</tr>
<tr>
<td>Mortgages</td>
<td>(284)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>(18)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>(75)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Business Banking</td>
<td>(541)</td>
<td>(97)</td>
<td>(1 051)</td>
</tr>
<tr>
<td>Mortgages (including CPF)</td>
<td>(151)</td>
<td>(32)</td>
<td>(562)</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>(229)</td>
<td>(28)</td>
<td>(325)</td>
</tr>
<tr>
<td>Term loans</td>
<td>(161)</td>
<td>(37)</td>
<td>(164)</td>
</tr>
<tr>
<td>CIB</td>
<td>(424)</td>
<td>(130)</td>
<td>(197)</td>
</tr>
<tr>
<td>Wealth</td>
<td>(32)</td>
<td>—</td>
<td>(33)</td>
</tr>
<tr>
<td>Head Office and other operations</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(1 764)</td>
<td>(253)</td>
<td>(1 403)</td>
</tr>
</tbody>
</table>
56. Risk management (continued)

56.2 Credit risk (continued)

<table>
<thead>
<tr>
<th></th>
<th>Unidentified impairment performing loans Rm</th>
<th>Identified individual impairment</th>
<th>Identified collective impairment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Performing loans Rm</td>
<td>Non-performing loans Rm</td>
<td>Performing loans Rm</td>
</tr>
<tr>
<td>RBB</td>
<td>(1 236)</td>
<td>(226)</td>
<td>(1 472)</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>(830)</td>
<td>(36)</td>
<td>(176)</td>
</tr>
<tr>
<td>Credit cards</td>
<td>(136)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Instalment credit agreements</td>
<td>(238)</td>
<td>(36)</td>
<td>(120)</td>
</tr>
<tr>
<td>Mortgages</td>
<td>(328)</td>
<td>—</td>
<td>(56)</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>(10)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>(118)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Business Banking</td>
<td>(406)</td>
<td>(190)</td>
<td>(1 296)</td>
</tr>
<tr>
<td>Mortgages (including CPF)</td>
<td>(139)</td>
<td>(125)</td>
<td>(740)</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>(163)</td>
<td>(36)</td>
<td>(323)</td>
</tr>
<tr>
<td>Term loans</td>
<td>(104)</td>
<td>(29)</td>
<td>(233)</td>
</tr>
<tr>
<td>CIB</td>
<td>(264)</td>
<td>—</td>
<td>(141)</td>
</tr>
<tr>
<td>Wealth</td>
<td>(44)</td>
<td>—</td>
<td>(39)</td>
</tr>
<tr>
<td>Head Office and other operations</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(1 544)</td>
<td>(226)</td>
<td>(1 652)</td>
</tr>
</tbody>
</table>

Note
1 These numbers have been restated, refer to note 1.19.
56. **Risk management (continued)**

56.3 **Market risk**

Market risk is the risk that the Bank’s earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads and comprises:
- Traded market risk: the risk of the Bank being impacted by changes in the level or volatility of positions in its trading books, primarily in the Investment Bank.
- Non-traded market risk: the risk of the Bank being unable to hedge the interest rate risk in the banking book, primarily in retail, business banking and corporate portfolios.
- Pension risk: the risk that arises when an adverse movement between pension assets and liabilities contributes to a pension deficit.

Traded market risk arises in the trading book to support client-trading activity, whereas non-traded market risk arises in the banking book to support customer products.

The Group Market Risk Committee (“GMRC”) meets monthly to review, challenge and make recommendations concerning the market risk profile, including risk appetite, policies, limits, risk utilisation and the effectiveness of the control environment.

The Trading Risk Committee (“TRC”), Africa Treasury Committee (“ATC”) and the ATC subcommittees provide oversight of specific market risks.

**Strategy**

Market risk management objectives are to:
- ensure risk is managed within the Bank’s risk appetite by monitoring risk against the limit and appetite framework;
- ensure a high degree of net interest margin stability in the banking books;
- use appropriate models to measure risk and understand risk sensitivity and volatility, leverage stress testing and empirical analytics; and
- ensure pension risk is managed in accordance with outlined principles, objectives and governance, as well as the country specific regulations.

**Traded market risk**

**Approach**

Traded market risk arises primarily as a result of client facilitation in wholesale markets. This involves market making, risk management solutions and execution of syndications. Mismatches between client transactions and hedges result in market risk. In CIB, trading risk is measured for the trading book, as defined for regulatory purposes and certain banking books.

Interest rate risk in the banking book is subjected to the same rigorous measurement and control standards as in the trading book, but the associated sensitivities are reported separately as “interest rate risk in the banking book”.

**Risk appetite**

The risk appetite for market risk is based on:
- proposed business strategy and growth;
- targeted growth in risk;
- budgeted revenue growth;
- historical risk usage;
- statistical modelling measures; and
- risk equated to capital projection under stress.

**Risk measurement**

A number of techniques are used to measure and control traded market risk on a daily basis, which include:
- value at risk (“VaR”) based measures (incorporating tail risk metrics) including both VaR and stressed value at risk (“SVaR”);
- tail metrics;
- position and sensitivity reporting (“non-VaR”);
- stress testing;
- backtesting; and
- standardised general and specific risk, as relevant.
56. Risk management (continued)

56.3 Market risk (continued)

Daily value at risk

Daily value at risk (“DVaR”) is an estimate of the potential loss that may arise from unfavourable market movements if current positions were to be held unchanged for one business day. The Bank uses an internal DVaR model based on the historical simulation method to derive the quantitative market risk measures under normal conditions. The DVaR model utilises a two-year data history of unweighted historical price and rate data and a holding period of one day with a confidence interval of 95%.

The historical simulation methodology can be split into three parts:

- Calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves;
- Sum of all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeat for all other days in the two-year history;
- DVaR is the 95th percentile loss selected from the resultant two-year historically simulated strip of daily hypothetical net profit or loss. Daily losses in excess of the DVaR figure are likely to occur, on average, up to 26 times over the two-year period.

This internal model is also used for measuring VaR over both a one-day and a 10-day holding period at a 99% confidence level for regulatory backtesting and Regulatory Capital (“RC”) calculation purposes, respectively. The VaR internal model has been approved by the SARB to calculate RC for all trading book portfolios. The approval covers general position risk across all interest rate, foreign exchange, commodity, equity and traded credit products. Issuer-specific risk is currently reported in accordance with the regulatory standardised approach across the Bank. Additionally, any new products, which are awaiting regulatory approval, are capitalised by using the regulatory standardised approach.

DVaR is an important market risk measurement and control tool that is used by the Bank. Consequently, the performance of the model is regularly assessed for continued suitability. The main technique employed is backtesting, which counts the number of days when daily trading losses exceed the corresponding VaR estimate. Backtesting measures daily losses against VaR assuming a one-day holding period and a 99% level of confidence. Backtesting reports are monitored daily.

VaR estimates have a number of limitations:

- Historical simulation assumes that the past is a good representation of the future, which may not always be the case;
- The assumed time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon;
- VaR does not indicate the potential loss beyond the selected percentiles;
- VaR is based on positions as at the close of business and consequently intra-day risk, the risk from a position bought and sold on the same day, is not captured;
- Prudent valuation practices are used in the VaR calculation when there is difficulty in obtaining rate/price information.

Tail risk metrics, stress testing and other sensitivity measures are used to complement VaR.

Backtesting

The Bank conducts backtesting of the VaR risk measurement model against:

- the theoretical profit or loss representing the change in the value of the portfolio as computed by the risk system under the assumption that the portfolio holdings remained constant for the holding period; and
- the actual profit or loss representing the actual daily trading outcome.

Tail metrics

Tail risk metrics highlight the risk beyond the percentile selected for DVaR. The two tail risk metrics chosen for daily monitoring, using the current portfolio and two years of price and rate history, are:

- the average of the worst three hypothetical losses from the historical simulation; and
- expected shortfall (also referred to as expected tail loss), which is the average of all hypothetical losses from the historical simulation beyond the 95th percentile used for DVaR.

Non-value at risk

Non-VaR reporting covers non-statistical measures of measuring and monitoring risk sensitivities and exposures as well as gross or notional limits where appropriate. All asset classes and product types have non-VaR reporting and limit monitoring, as required. These limits are aligned to DVaR limits, but do not bear a direct linear relationship.
56. Risk management (continued)

56.3 Market risk (continued)

Stressed value at risk

Stressed value at risk (sVaR) is an estimate of the potential loss arising from a 12-month period of significant financial stress. The Bank's sVaR model and period selection methodology was approved by the SARB. The SARB has also assigned a sVaR model multiplier to be used for RC calculations. sVaR uses DVaR methodology based on inputs calibrated to historical data from a continuous 12-month period to replicate a period of significant stress. A regular process is applied to assess the stress period in terms of the approved methodology, which means that the stress period is subject to change.

The sVaR RC requirement is calculated daily and is disclosed for the reporting period.

Stress testing

Stress testing provides an indication of the potential size of losses that could occur in extreme conditions. Stress testing assists in identifying risk concentrations across business lines and assists senior management in making capital planning decisions. The Bank performs two main types of stress/scenario testing. Firstly, risk factor stress testing is carried out, where extended historical stress moves are applied to each of the main risk categories including interest rate, equity, foreign exchange, commodity and credit spread risk. Secondly, the trading book is subjected to multi-factor scenarios that simulate past periods of significant market disturbance and hypothetical extreme yet plausible events. Scenarios are reviewed at least annually.

Stress testing results are monitored against approved limits and triggers for trading books in South Africa. A full revaluation approach is applied to undertake stress testing for said trading books. The approach taken for trading books in the region is sensitivity based.

Standardised specific risk

Idiosyncratic risks are capitalised through the Basel/regulatory framework using standardised rules for South Africa. In addition, the standardised rules are used to quantify general risk RC for any instruments traded in South Africa for which internal model approach approval has not yet been obtained.

Risk control

Risk limits are set and reviewed at least annually to control the trading activities, in line with the defined risk appetite of the Bank. The criteria for setting risk limits include relevant market analysis, market liquidity and business strategy.

This limit structure comprises the following types of market risk limits:

- VaR limits (DVaR);
- sVaR limits, as relevant;
- position and sensitivity (non-VaR) limits;
- stress testing limits, as relevant; and
- management action triggers, reporting of actual losses based on predetermined tolerance levels.

Valuation control, independent price testing and bid-offer testing are conducted by Product Control and the results are reviewed monthly by the Valuation Governance and Control Committee of CIB.

The model validation function is responsible for validating all valuation models used for accounting and risk. The validation reviews the theoretical approach and its applicability to the product. Focus is on ensuring the implementation of the model is correct, identifying the primary risks, model limitations or uncertainties and recommending provisions to account for such uncertainties.

Risk reporting

The market risk team produces a number of detailed and summary market risk reports daily and monthly. These reports summarise the positions, risks and top stresses covering interest rate, foreign exchange, equity, commodity and credit spread risks. A risk summary is also presented at the GMRC and other governance committees, as required.

Analysis of traded market risk exposure

The following table reflects the DVaR and expected shortfall statistics for trading book activities as measured by the internal models approach (“IMA”) for general trading position risk. Traded market risk exposure, as measured by average total DVaR, increased to R23,20m (2014: R19,46m) for the reporting period, which is up 19% compared to the previous reporting period. This was principally due to increased volatility in interest rate risk during the period. The business model of CIB is orientated around client flow and the risk profile is maintained so that it is aligned with the near-term demands of clients. The model showed resilience in tough trading conditions. Trading revenues declined marginally compared to the previous reporting period, but a favourable risk-adjusted return was sustained for the reporting period.
Interest rate risk in the banking book

Interest rate risk is the risk that the Bank’s financial position may be adversely affected by changes in interest rate levels, yield curves and spreads. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the statement of financial position, mainly due to repricing timing differences between assets, liabilities and equity. These risks impact both the Bank’s earnings and the economic value.

Strategy

The Bank’s objective for managing interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by transferring the interest rate risk from the business to Group Treasury, which in turn hedges material net exposures with the external market. As a result of mainly timing considerations, interest rate risk may arise when some of the net position remains with Treasury. A limits framework is in place to ensure that retained risk remains within approved risk appetite.

Risk management strategies considered include:
- strategies regarding changes in the volume, composition, pricing and interest rate risk characteristics of assets and liabilities; and
- the execution of applicable derivative contracts to maintain the Bank’s interest rate risk exposure within limits.

Where possible, hedge accounting is applied to derivatives that are used to hedge interest rate risk in the banking book. In cases where hedge relationships do not qualify for hedge accounting, mismatches may arise due to different bases used in fair valuing the hedges and the underlying banking book exposure. Applicable accounting rules, as detailed in the Bank’s accounting policies are followed.

Structural interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and the Bank’s equity, and is managed by Group Treasury.

Embedded customer optionality risk may also give rise to interest rate risk in the banking book. This risk arises from a customer’s right to buy, sell or in some manner alter the cash flow of a financial contract.

Prepayment risk arises in relation to transactions where an early settlement option is embedded in the product. This risk most commonly arises in relation to fixed rate loans offered to retail customers, where the customer has an option to repay the loan prior to contractual maturity and where the Bank is unable to collect full market-related compensation.

Recruitment risk arises when the Bank commits to providing a product at a predetermined price for a period into the future. Customers have the option to take up this offer.

Market risk management processes are in place for managing these additional forms of interest rate risk in the banking book.
Risk management (continued)

56.3 Market risk (continued)

Risk measurement

The techniques used to measure and control interest rate risk in the banking book include repricing profiles, annual earnings at risk ("AEaR"), DVaR and tail metrics, economic value of equity ("EVE") sensitivity and stress testing.

Repricing profiles

With the repricing profile, instruments are allocated to time periods with reference to the earlier of the next contractual interest rate repricing date and the maturity date. Instruments which have no explicit contractual repricing or maturity dates are placed in time buckets based on the most likely repricing behaviour. The repricing profiles take the assumed behavioural profile of structural product balances into account. Currently, the contractual profiles of assets are not adjusted for customer prepayment features.

Annual Earnings at risk/net interest incomes sensitivity

AEaR/Net interest income sensitivity measures the sensitivity of net interest income over the next 12 months to a specified shock in interest rates. AEaR is assessed across a range of interest rate scenarios, including parallel and key rate shocks and yield curve twists and inversions appropriate for each business. AEaR is monitored against approved internal limits.

Daily value at risk

A 1 day VaR (DVaR) calculated at a 95% confidence level for measuring interest rate risk in the banking book is used. The DVaR is measured against approved internal limits and is used as a complementary metric to AEaR. The DVaR is supplemented by non-DVaR, stress and tail metrics.

Economic value of equity

EVE sensitivity measures the sensitivity of the present value of the banking book at a specific point in time to a specified shock to the yield curve. Similar to DVaR, EVE is a present value sensitivity and is complementary to income sensitivity measures such as AEaR. EVE sensitivity is measured against regulatory guidelines and not against approved internal limits.

Stress testing

Stress testing consists of a combination of stress scenarios and historical stress movements and is carried out by Market Risk to supplement the DVaR and AEaR metrics.

Risk control

Market risk is controlled through the use of AEaR, DVaR and stress limits as appropriate and supported non-DVaR triggers as well as the monthly monitoring of the risk profiles and EVE sensitivity. Limits are set and maintained in accordance with the limit framework. Limits for AEaR, DVaR and stress are agreed by the GMRC.

Risk reporting

DVaR and supporting metrics and stress are reported daily by Group Treasury. The repricing profiles, AEaR, EVE sensitivity and stress results are reported monthly for the Bank.

Interest rate sensitivity analyses

Three separate interest rate sensitivity analyses for the Bank’s banking book are set out in the table that follows, namely, the repricing profile of the book, the potential effect of changes in market interest rates on annual earnings and impact on equity reserves.

Repricing profile

The repricing profile of the Bank’s consolidated banking book shows that the consolidated banking book remains asset sensitive, or positively gapped, as interest-earning assets reprice sooner than interest-paying liabilities before and after derivative hedging activities. Accordingly, future net interest income remains vulnerable to a decrease in market interest rates.
56. Risk management (continued)

56.3 Market risk (continued)

### Expected repricing profile

<table>
<thead>
<tr>
<th></th>
<th>On demand – 3 months</th>
<th>4 – 6 months</th>
<th>7 – 12 months</th>
<th>Over 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td><strong>Banking book¹</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate sensitivity gap</td>
<td>96 057 (93 518)</td>
<td>(7 809) 5 293</td>
<td>(27 471) 18 294</td>
<td>(34 563) 69 931</td>
</tr>
<tr>
<td>Derivatives²</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest rate sensitivity gap</td>
<td>2 539 (2 516)</td>
<td>(9 177) 9 154</td>
<td>35 368</td>
<td></td>
</tr>
<tr>
<td>Cumulative interest rate gap</td>
<td>2 539 23</td>
<td>(9 154)</td>
<td>26 214</td>
<td></td>
</tr>
<tr>
<td>Cumulative gap as a percentage of the Bank’s total assets (%)</td>
<td>0,3</td>
<td>0,0</td>
<td>(1,0)</td>
<td>2,8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>On demand – 3 months</th>
<th>4 – 6 months</th>
<th>7 – 12 months</th>
<th>Over 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td><strong>Banking book¹</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate sensitivity gap</td>
<td>103 833 (87 517)</td>
<td>(20 073) 2 426</td>
<td>(34 648) 23 587</td>
<td>(31 210) 72 699</td>
</tr>
<tr>
<td>Derivatives²</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest rate sensitivity gap</td>
<td>16 316 (6 183)</td>
<td>(22 499) 17 404</td>
<td>41 489</td>
<td></td>
</tr>
<tr>
<td>Cumulative interest rate gap</td>
<td>16 316</td>
<td>(22 499)</td>
<td>41 489</td>
<td></td>
</tr>
<tr>
<td>Cumulative gap as a percentage of the Bank’s total assets (%)</td>
<td>2,0</td>
<td>(0,8)</td>
<td>(2,9)</td>
<td>2,2</td>
</tr>
</tbody>
</table>

**Impact on earnings**

The below mentioned table shows the AEaR from impacts to net interest income for 100 and 200 bps up and down movements in market interest rates for the Bank’s banking books. Assuming no management action is taken in response to market interest rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market interest rates would, at the reporting date, result in a pre-tax reduction in projected 12-month net interest income of **R1,38m** (2014: **R1,41bn**). A similar increase would result in an increase in projected 12-month net interest income of **R1,67bn** (2014: **R1,42bn**). AEaR remains at just under 5% of the Bank’s net interest income.

**Notes**

¹ Includes exposures held in the CIB banking book.
² Derivatives for interest rate risk management purposes (net nominal value).
56. Risk management (continued)

56.3 Market risk (continued)

Annual earnings at risk for 100 and 200 bps changes in market interest rates

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
<th>2015</th>
<th>Change in market interest rates</th>
<th></th>
<th></th>
<th>2014</th>
<th>Change in market interest rates</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>200 bps</td>
<td>100 bps</td>
<td>100 bps</td>
<td>200 bps</td>
<td>200 bps</td>
<td>100 bps</td>
<td>100 bps</td>
<td>200 bps</td>
</tr>
<tr>
<td></td>
<td>decrease</td>
<td>decrease</td>
<td>increase</td>
<td>increase</td>
<td>decrease</td>
<td>decrease</td>
<td>increase</td>
<td>increase</td>
<td></td>
</tr>
<tr>
<td>Change in projected net interest income1 (Rm)</td>
<td>(1 376)</td>
<td>(701)</td>
<td>865</td>
<td>1 672</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of the Bank’s net interest income (%)</td>
<td>(5,0)</td>
<td>(2,5)</td>
<td>3,1</td>
<td>6,1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of the Bank’s equity (%)</td>
<td>(2,3)</td>
<td>(1,2)</td>
<td>1,4</td>
<td>2,8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in projected net interest income1 (Rm)</td>
<td>(1 411)</td>
<td>(710)</td>
<td>698</td>
<td>1 421</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of the Bank’s net interest income (%)</td>
<td>(5,4)</td>
<td>(2,7)</td>
<td>2,7</td>
<td>5,5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of the Bank’s equity (%)</td>
<td>(2,4)</td>
<td>(1,2)</td>
<td>1,2</td>
<td>2,4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Impact on equity reserves

Market interest rate changes may affect equity (capital) in the following three ways:
- higher or lower profit after tax resulting from higher or lower net interest income;
- higher or lower available-for-sale reserves reflecting higher or lower fair values of available-for-sale financial instruments and their corresponding derivative hedges where applicable; and
- higher or lower values of derivatives held in the cash flow hedging reserve.

The pre-tax effect of net interest income sensitivity is reported in the preceding sensitivity analysis. The effect of taxation can be estimated using the effective tax rate for the reporting period.

The equity reserve sensitivities that follow are illustrative, based on simplified scenarios and consider the impact on the cash flow hedges and available-for-sale portfolios which are mark-to-market through reserves. The impact on equity is calculated by revaluing the fixed rate available-for-sale financial assets, including the effect of any associated hedges and derivatives designated as cash flow hedges, for an assumed change in market interest rates. The increase in sensitivity of the available-for-sale reserves is mainly due to the increase in the net directional risk.

Sensitivity of reserves to market interest rate movements

<table>
<thead>
<tr>
<th></th>
<th>Bank</th>
<th>Impact on equity at the reporting date</th>
<th>Maximum impact¹ ²</th>
<th>Minimum impact¹ ²</th>
<th>Bank</th>
<th>Impact on equity at the reporting date</th>
<th>Maximum impact¹ ²</th>
<th>Minimum impact¹ ²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>2014</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>+ 100 bps parallel move in all yield curves</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale reserve</td>
<td>(444)</td>
<td>(591)</td>
<td>(444)</td>
<td>(654)</td>
<td>(837)</td>
<td>(647)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedging reserve</td>
<td>(2 084)</td>
<td>(2 387)</td>
<td>(2 084)</td>
<td>(2 198)</td>
<td>(2 198)</td>
<td>(1 832)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2 528)</td>
<td>(2 922)</td>
<td>(2 527)</td>
<td>(2 852)</td>
<td>(2 851)</td>
<td>(2 625)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a percentage of Bank equity (%)</td>
<td>(4,2)</td>
<td>(4,8)</td>
<td>(4,2)</td>
<td>(4,8)</td>
<td>(4,8)</td>
<td>(4,4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>− 100 bps parallel move in all yield curves</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale reserve</td>
<td>444</td>
<td>591</td>
<td>444</td>
<td>654</td>
<td>837</td>
<td>647</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedging reserve</td>
<td>2 084</td>
<td>2 387</td>
<td>2 084</td>
<td>2 198</td>
<td>2 198</td>
<td>1 832</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 528</td>
<td>2 922</td>
<td>2 527</td>
<td>2 852</td>
<td>2 851</td>
<td>2 625</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a percentage of Bank equity (%)</td>
<td>4,2</td>
<td>4,8</td>
<td>4,2</td>
<td>4,8</td>
<td>4,8</td>
<td>4,4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. The maximum and minimum impacts for each reserve category did not necessarily occur for the same months.
2. The number represents the maximum or minimum potential combined impact for both reserve categories in a single month (and does not equate to the sum of the minimum and maximum per month shown in footnote 1 above).
Notes to the consolidated financial statements
for the reporting period ended 31 December

56. Risk management (continued)

56.3 Market risk (continued)

Foreign exchange risk
The Bank is exposed to two sources of foreign exchange risk, namely, transactional and translational risk.

Transactional foreign exchange risk
Transactional foreign exchange risk arises when the banking assets and liabilities are not denominated in the functional currency of the transacting entity. The Bank’s policy is for transactional foreign exchange risk to be concentrated and managed within the trading book.

In accordance with the Bank’s policy, there were no significant net open currency positions outside the trading book at the reporting date that would give rise to material foreign exchange gains and losses being recognised in the statement of comprehensive income or in equity as a result of a foreign exchange rate shock.

Foreign currency translation sensitivity analysis
The following table depicts the carrying value of foreign currency net investments and the pre-tax impact on equity of a 5% change in the exchange rate between the ZAR and the relevant functional foreign currencies.

<table>
<thead>
<tr>
<th>Functional foreign currency</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>Sterling Rm</td>
<td>Sterling Rm</td>
</tr>
<tr>
<td>Foreign currency net investments</td>
<td>1 470</td>
<td>1 543</td>
</tr>
<tr>
<td>Impact on equity from a 5% currency translation shock</td>
<td>74</td>
<td>77</td>
</tr>
</tbody>
</table>

Other market risks
The Bank maintains different pension plans with defined benefit and defined contribution structures for current and former employees. In respect of defined benefit plans, the ability to meet the projected pension payments is maintained through investments and regular contributions. Market risk arises when the estimated market value of the pension plan assets declines, their investment returns reduce, or when the estimated value of the pension liabilities increases, resulting in a funding deficit. In these circumstances, the Bank could be required or might choose to make additional contributions to the defined benefit plan.

Asset management risk arises where the fee and commission income earned by asset management products and businesses is affected by a change in market levels, primarily through the link between income and the value of assets under management. The risk is measured in terms of AEar to reflect the sensitivity of annual earnings to shocks in market rates. Bank policy dictates that businesses monitor, report and regularly assess potential hedging strategies relating to this risk. Asset management risk was not material during the reporting period.
56.  **Risk management** *(continued)*

56.4  **Equity investment risk**

Equity investment risk refers to the risk of adverse changes in the value of listed and unlisted equity investments. These investments are longer-term investments held in the banking book for non-trading purposes.

The Bank’s equity investment risk objective is to balance the portfolio composition in line with the Bank’s risk appetite, with selective exits as appropriate.

**Approach**

The Bank’s governance of equity investments is based on the following key fundamental principles:

- a formal approval governance process;
- key functional specialists reviewing investment proposals;
- adequate monitoring and control after the investment decision has been implemented; and
- ongoing implementation of best practice standards based on current market trends, hurdle rates and benchmarks.

Criteria considered for new investments and investment reviews cover a comprehensive set of financial, commercial, legal (and technical, where required) matters. The performance of these investments is monitored relative to the objectives of the portfolio.

The majority of the Bank’s equity investments are held in CIB and RBB-Business Banking.

The CPF Equities portfolio decreased during the current reporting period due to fair value revaluations and planned sell-downs in line with the Bank’s equity investment strategy.

**Risk measurement**

Equity investment risk is monitored monthly in terms of regulatory and EC requirements and is complemented by a range of additional risk metrics and stress testing. The equity investment risk profile is further tracked across a range of dimensions such as geography, industry and currency. Risk monitoring is done in accordance with a risk appetite, mandate and scale limits framework.

The Bank has adopted the market-based simple risk-weighted approach to calculate Risk Weighted Assets (“RWAs”) and RC for equity risk in the banking book.

According to this approach, the Bank applies a 300% risk weight to listed exposures and 400% to unlisted exposures in non-financial entities subject to a prescribed scaling factor of 1.06. Investments in financial entities are treated in line with the principles embodied in Basel III and the regulations relating to Banks, whereby the risk weightings are subject to the aggregate value of the Bank’s shareholding in those investments and also in relation to the Bank’s capital. For those financial investments constituting a significant minority investment (i.e. 20%-50%) with no other significant shareholder, the Bank applies a capital deduction.

Economic capital for equity investment risk in the banking book is based on investment type and portfolio risk modelling and varies from 35.2% to 100%.
56. Risk management (continued)

56.4 Equity investment risk (continued)

Analysis of equity investment risk in the banking book

The following table presents the equity sensitivity analysis and discloses the impact on pre-tax profit or loss and equity after the effect of hedges. Debt instruments have been excluded from the sensitivity analysis. Equity hedge structures were in place for the shareholders’ equity investment portfolio in previous reporting periods. This assisted to hedge downside risk on equities if market values decrease with more than 6% and resulted in counterparties sharing in positive returns if market values increased by between 2% and 4%. No equity hedge structures were in place at the reporting date.

<table>
<thead>
<tr>
<th></th>
<th>2015 Impact of a 5% reduction in fair value</th>
<th>2014 Impact of a 5% reduction in fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Profit or loss Rm</td>
<td>Equity Rm</td>
</tr>
<tr>
<td>Listed equity investments</td>
<td>(34)</td>
<td>(3)</td>
</tr>
<tr>
<td>Unlisted equity investments</td>
<td>(35)</td>
<td>(7)</td>
</tr>
<tr>
<td>Total Bank equity investments</td>
<td>(69)</td>
<td>(10)</td>
</tr>
</tbody>
</table>

56.5 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due, resulting in an inability to support normal business activity, and a failure to meet liquidity-related regulatory requirements. These outflows would deplete available cash resources for client lending, trading activities and investments. Such outflows could be through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan drawdowns. This risk is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

Liquidity risk is monitored at a Bank level under a single Bank framework. Each entity is responsible to implement appropriate processes and controls to ensure compliance with local liquidity appetite, regulatory limits and reporting requirements.

Strategy

The Bank’s liquidity risk management objectives are:
- manage the funding position in line with board-approved liquidity risk appetite framework and liquidity coverage ratio requirements;
- grow and diversify the funding base to support asset growth and other strategic initiatives;
- manage the Bank’s maturity profile in order to achieve planned liquidity ratios; and
- balance the above objectives against the long-term impacts on the bank cost of funding.

Approach

The efficient management of liquidity is essential to the Bank. Liquidity risk is managed through the Liquidity Risk Framework, which is designed to meet the following objectives:
- to maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk framework as expressed by the board;
- to maintain market confidence;
- to set limits to control liquidity risk within and across lines of business and legal entities;
- to accurately price liquidity costs, benefits and risks and incorporate those into product pricing and performance measurement;
- to set early warning indicators to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- to project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- to maintain a Contingency Funding Plan that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.
56. Risk management (continued)

56.5 Liquidity risk (continued)

The Bank applies a three step risk management process:

- **Evaluate**: Risk evaluation is carried out by those individuals, teams and departments that are best placed to identify and assess the potential liquidity risks, and include those responsible for delivering the objectives under review.
- **Respond**: The appropriate risk response ensures that liquidity risk is kept within appetite.
- **Monitor**: Once risks have been identified and measured, and controls put in place, progress towards objectives must be tracked. Monitoring must be ongoing and can prompt re-evaluation of the risks and/or changes in responses.

**Stress and scenario testing**

Under the Liquidity Framework, the Bank has established the Liquidity Risk Appetite (“LRA”), which is the level of liquidity risk the Bank chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. It is measured with reference to anticipated stressed net contractual and contingent outflows for a variety of stress scenarios and is used to size the liquidity pool.

Each entity within the Bank undertakes a range of stress tests appropriate to their business. Stress tests consider both institution-specific and market-wide scenarios separately and on a combined basis. The results of the stress tests are used to develop the contingency funding plan and are taken into account when setting limits for the management of liquidity risk and the business planning process.

As part of stress and scenario testing, the Bank’s liquid assets portfolio serves as the main source of liquidity under stress. Liquidity value is also assigned to unsecured funding lines, readily marketable investment securities and price sensitive overnight loans.

**Contingency funding planning**

The Contingency Funding Plan (“CFP”) includes, inter alia:

- the roles and responsibilities of senior management in a crisis situation;
- authorities for invoking the plan;
- communications and organisation;
- an analysis of a realistic range of market-wide and Bank specific liquidity stress tests; and
- scenario analyses and the extent to which each stress test and scenario can be mitigated by managing the balance sheet.

The Bank maintains a range of early warning indicators (“EWIs”). These assist in informing management on deciding whether the CFP should be invoked. Each operation must adopt and conform to the Bank’s CFP and establish local processes and procedures for managing local liquidity stresses that are consistent with the Bank’s level plan. The CFPs set out the specific requirements to be undertaken locally in a crisis situation. This could include monetising the liquidity pool, slowing the extension of credit, increasing the tenor of funding and securitising or selling assets.

The Bank continues to work with the Regulator on recovery and resolution planning.
### Notes to the consolidated financial statements
for the reporting period ended 31 December

#### 56. Risk management (continued)

56.5 Liquidity risk (continued)

**Analysis of contractual mismatch**

A detailed breakdown of the contractual mismatch position is provided below:

<table>
<thead>
<tr>
<th>Discounted maturity</th>
<th>On demand Rm</th>
<th>Within 1 year Rm</th>
<th>From 1 year to 5 years Rm</th>
<th>More than 5 years Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>26 101</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>26 101</td>
</tr>
<tr>
<td>Investment securities</td>
<td>386</td>
<td>23 411</td>
<td>17 010</td>
<td>32 258</td>
<td>73 065</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>20 252</td>
<td>30 493</td>
<td>4 499</td>
<td>3 341</td>
<td>58 585</td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>114 450</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>114 450</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>77 537</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>77 537</td>
</tr>
<tr>
<td>Non-derivative assets</td>
<td>36 913</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>36 913</td>
</tr>
<tr>
<td>Hedging portfolio assets</td>
<td>—</td>
<td>96</td>
<td>360</td>
<td>1 760</td>
<td>2 216</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>7 001</td>
<td>10 368</td>
<td>2</td>
<td>—</td>
<td>17 371</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>66 727</td>
<td>93 159</td>
<td>217 714</td>
<td>224 402</td>
<td>602 002</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>13 058</td>
<td>393</td>
<td>10 399</td>
<td>—</td>
<td>23 850</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td>247 975</td>
<td>157 920</td>
<td>249 984</td>
<td>261 761</td>
<td>917 640</td>
</tr>
<tr>
<td><strong>Non-financial assets</strong></td>
<td>18 501</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>936 141</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Liabilities** | | | | | |
| Deposits from banks | 23 149 | 34 582 | 2 778 | 517 | 61 026 |
| Trading portfolio liabilities | 87 567 | — | — | — | 87 567 |
| Derivative liabilities | 86 325 | — | — | — | 86 325 |
| Non-derivative liabilities | 1 242 | — | — | — | 1 242 |
| Hedging portfolio liabilities | — | 240 | 2 580 | 1 711 | 4 531 |
| Other financial liabilities | 11 863 | 4 481 | — | 2 | 16 346 |
| Deposits due to customers | 374 868 | 151 234 | 26 454 | 8 094 | 560 650 |
| Debt securities in issue | 317 | 63 429 | 53 090 | 11 617 | 128 453 |
| Borrowed funds | — | 10 133 | 2 821 | — | 12 954 |
| **Financial liabilities** | 497 764 | 253 966 | 95 035 | 24 762 | 871 527 |
| **Non-financial liabilities** | | | | | |
| **Total liabilities** | | | | | 875 644 |
| **Equity** | | | | | 60 497 |
| **Total equity and liabilities** | | | | | 936 141 |

**Net liquidity position of financial instruments**

|              | (249 789) | (96 046) | 154 949 | 236 999 | 46 133 |
56. **Risk management (continued)**

56.5 **Liquidity risk (continued)**

<table>
<thead>
<tr>
<th>Discounted maturity</th>
<th>Bank 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>On demand</td>
<td>Within 1 year</td>
</tr>
<tr>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>21 419</td>
</tr>
<tr>
<td>Investment securities</td>
<td>355</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>12 079</td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>78 572</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>40 295</td>
</tr>
<tr>
<td>Non-derivative assets</td>
<td>38 277</td>
</tr>
<tr>
<td>Hedging portfolio assets</td>
<td>—</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>1 372</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>72 969</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>17 740</td>
</tr>
<tr>
<td>Financial assets</td>
<td>204 506</td>
</tr>
<tr>
<td>Non-financial assets</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>814 061</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>22 913</td>
</tr>
<tr>
<td>Trading portfolio liabilities</td>
<td>44 580</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>41 785</td>
</tr>
<tr>
<td>Non-derivative liabilities</td>
<td>2 795</td>
</tr>
<tr>
<td>Hedging portfolio liabilities</td>
<td>2</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>7 682</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>337 433</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>416</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>506</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>413 532</td>
</tr>
<tr>
<td>Non-financial liabilities</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>755 135</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>814 061</td>
</tr>
<tr>
<td><strong>Net liquidity position of financial instruments</strong></td>
<td>(209 026)</td>
</tr>
</tbody>
</table>
## 56. Risk management (continued)

### 56.5 Liquidity risk (continued)

<table>
<thead>
<tr>
<th>Undiscounted maturity</th>
<th>On demand Rm</th>
<th>Within 1 year Rm</th>
<th>From 1 year to 5 years Rm</th>
<th>More than 5 years Rm</th>
<th>Discount effect Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-statement of financial position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>23 149</td>
<td>34 865</td>
<td>3 586</td>
<td>920</td>
<td>(1 494)</td>
<td>61 026</td>
</tr>
<tr>
<td>Trading portfolio liabilities</td>
<td>87 567</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>87 567</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>86 325</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>86 325</td>
</tr>
<tr>
<td>Non-derivative liabilities</td>
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<td>—</td>
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<td>1 242</td>
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<td>246</td>
<td>3 179</td>
<td>3 040</td>
<td>(1 934)</td>
<td>4 531</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>11 863</td>
<td>4 492</td>
<td>—</td>
<td>3</td>
<td>(12)</td>
<td>16 346</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>374 868</td>
<td>154 373</td>
<td>31 483</td>
<td>14 379</td>
<td>(14 453)</td>
<td>560 650</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>317</td>
<td>65 431</td>
<td>64 988</td>
<td>20 637</td>
<td>(22 920)</td>
<td>128 453</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>—</td>
<td>—</td>
<td>12 617</td>
<td>5 012</td>
<td>(4 675)</td>
<td>12 954</td>
</tr>
<tr>
<td>Hedging portfolio liabilities</td>
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<td>—</td>
<td>5 012</td>
<td>—</td>
<td>—</td>
<td>5 012</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>497 764</td>
<td>259 407</td>
<td>115 853</td>
<td>43 991</td>
<td>(45 488)</td>
<td>871 527</td>
</tr>
<tr>
<td>Non-financial liabilities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>875 644</td>
</tr>
<tr>
<td>Off-statement of financial position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial guarantee contracts</td>
<td>24</td>
<td>42</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>24</td>
</tr>
<tr>
<td>Loan commitments</td>
<td>98 697</td>
<td>46 429</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>145 126</td>
</tr>
</tbody>
</table>
### 56. Risk management (continued)

#### 56.5 Liquidity risk (continued)

**Undiscounted maturity**

<table>
<thead>
<tr>
<th>(statement of financial position value with impact of future interest)</th>
<th>On demand</th>
<th>Within 1 year Rm</th>
<th>From 1 year to 5 years Rm</th>
<th>More than 5 years Rm</th>
<th>Discount effect Rm</th>
<th>Total Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Liabilities

**On-statement of financial position**

<table>
<thead>
<tr>
<th></th>
<th>On</th>
<th>Within 1 year</th>
<th>From 1 year to 5 years</th>
<th>More than 5 years</th>
<th>Discount effect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from banks</td>
<td>22 913</td>
<td>26 579</td>
<td>4 848</td>
<td>3 047</td>
<td>(3 283)</td>
<td>54 104</td>
</tr>
<tr>
<td>Trading portfolio liabilities</td>
<td>44 580</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>44 580</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>41 785</td>
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<td></td>
<td></td>
<td></td>
<td>41 785</td>
</tr>
<tr>
<td>Non-derivative liabilities</td>
<td>2 795</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2 795</td>
</tr>
<tr>
<td>Hedging portfolio liabilities</td>
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<td>1 292</td>
<td>2 050</td>
<td></td>
<td></td>
<td>2 577</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>7 682</td>
<td>3 424</td>
<td>291</td>
<td>70</td>
<td>(151)</td>
<td>11 316</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>337 433</td>
<td>146 819</td>
<td>32 102</td>
<td>39 057</td>
<td>(33 755)</td>
<td>521 656</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>416</td>
<td>57 033</td>
<td>44 190</td>
<td>38 065</td>
<td>(34 689)</td>
<td>105 015</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>506</td>
<td>2 070</td>
<td>7 683</td>
<td>3 704</td>
<td>(3 428)</td>
<td>10 535</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>413 532</td>
<td>236 207</td>
<td>90 406</td>
<td>87 993</td>
<td>(78 355)</td>
<td>749 783</td>
</tr>
<tr>
<td>Non-financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5 352</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>755 135</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Off-statement of financial position**

<table>
<thead>
<tr>
<th></th>
<th>On</th>
<th>Within 1 year</th>
<th>From 1 year to 5 years</th>
<th>More than 5 years</th>
<th>Discount effect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial guarantee contracts</td>
<td>96</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>96</td>
</tr>
<tr>
<td>Loan commitments</td>
<td>77 393</td>
<td>37 221</td>
<td></td>
<td></td>
<td></td>
<td>114 614</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 56.6 Capital management

Capital risk is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to support business activity; a failure to meet regulatory requirements; and/or changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding.

The Bank’s strategic focus is to maintain an optimal mix of high quality capital, while continuing to generate sufficient capital to support economically profitable asset growth and the active management of the business portfolio.

**Strategy**

Effective capital planning and management ensures that the Bank has sufficient and appropriate capital structures to support its risk appetite, (the risk appetite describes and measures the amount and types of risk that the Bank is prepared to take in executing its strategy. It defines the integrated approach to business, risk and capital management and supports the achievement of strategic objectives) business activities, credit rating and regulatory requirements.

The capital management process includes:

- meeting capital ratios required by regulators and the target ranges approved by the board;
- maintaining an adequate level of capital resources in excess of both regulatory capital and economic capital requirements;
- maximise shareholder value by optimising the level and mix of capital resources and the utilisation of those resources; and
- increasing business and legal entity accountability for the use of capital and, where relevant, the use of capital per client or portfolio.

The board sets the Bank’s target capital ranges. The Bank and its regulated entities (including insurance entities) remain adequately capitalised above minimum capital requirements as at the reporting date. Target capital ratios of the Bank for the current reporting period were set by considering the following:

- risk appetite;
- the preference of rating agencies for permanent capital;
- stressed scenarios;
- Basel III amendments including capital conservation buffer, domestic-systemically important bank buffer; and
- peer analysis.
Notes to the consolidated financial statements
for the reporting period ended 31 December

56. Risk management (continued)

56.6 Capital management (continued)

Capital adequacy ratios (unaudited)

<table>
<thead>
<tr>
<th>Bank</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Board target ranges</td>
<td>Minimum regulatory capital requirements</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Common Equity Tier 1</td>
<td>10,3</td>
<td>10,6</td>
</tr>
<tr>
<td>Tier 1</td>
<td>11,0</td>
<td>11,4</td>
</tr>
<tr>
<td>Total</td>
<td>13,6</td>
<td>13,7</td>
</tr>
</tbody>
</table>

Capital supply and demand for the reporting period (Rm)

| Net generated equity | (232) | (1 499) |
| Qualifying capital   | 66 059 | 60 762 |
| Total RWA            | 484 399 | 443 955 |

Regulatory capital comprises the following:

Common Equity Tier 1 – ordinary share capital, share premium and retained earnings including reserves, less regulatory deductions.

Tier 1 – Common Equity Tier 1 plus perpetual, non-cumulative instruments with principal loss-absorption features issued in terms of the Basel III rules.

Total Capital – Tier 1 plus other items such as the general allowance for credit impairments and subordinated debt with principal loss-absorption features issued under Basel III. Subordinated debt issued under Basel I and Basel II is included in total capital but is subject to regulatory phase-out requirements over a 10-year period effective from 1 January 2013.

During the past year, the Bank complied in full with all externally imposed capital requirements (2014: the same).

57. Going concern

The directors assess the Bank’s future performance and financial position on an ongoing basis and have no reason to believe that the Bank will not be a going concern in the reporting period ahead. For this reason, these consolidated financial statements are prepared on a going-concern basis.

58. Events after the reporting period

The directors are not aware of any events after the reporting date of 31 December 2015 and the date of authorisation of these consolidated financial statements (as defined per IAS 10 Events after the Reporting Period (“IAS 10”)).

59. Directors’ and prescribed officers’ remuneration

As a subsidiary of BAGL, the Bank is governed by the Barclays Africa Group Remuneration and Human Resources Committee (“GRHRC”). The GRHRC’s mandate is to ensure that reward practices are aligned with shareholder interests, both in the performance of our colleagues and the values they uphold. We strive to promote reward practices that foster sustainable high performance and accordingly, we reward both short and longer term performance. All elements of pay are benchmarked against the market, as well as local and international best practice.

The GRHRC evaluates prescribed officer and executive pay against the Balanced Scorecard, which ensures rigorous concentration on business imperatives including, importantly, financial performance. Risk management is carefully considered.

Remuneration of risk and compliance employees is determined independently within the function, rather than by the business they support, and within the parameters of the pool allocated to them by the GRHRC.

Remuneration has been included for Nomkhita Nqweni and Willie Lategan as both participate to a material degree in the exercise of general executive control over and management of a significant portion of the Bank.

Note

The verbiage included above under note 59 is unaudited.
### 59. Directors’ and prescribed officers’ remuneration (continued)

#### Combined tables for 2015 total remuneration

<table>
<thead>
<tr>
<th></th>
<th>Maria Ramos</th>
<th></th>
<th>Bank</th>
<th></th>
<th>David Hodnett</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td>2015</td>
<td>2014</td>
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<tr>
<td></td>
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<td>R</td>
<td>R</td>
<td>R</td>
<td></td>
<td>R</td>
</tr>
<tr>
<td>Salary</td>
<td>7 282 552</td>
<td>6 978 920</td>
<td>5 913 471</td>
<td>5 903 600</td>
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<td>Role based pay</td>
<td>6 500 000</td>
<td>6 500 000</td>
<td>3 500 000</td>
<td>3 500 000</td>
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<td></td>
</tr>
<tr>
<td>Medical aid</td>
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<td>81 840</td>
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<td>105 288</td>
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<td>567 593</td>
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<td>2 880 000</td>
<td>2 600 000</td>
<td>2 700 000</td>
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<td></td>
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<tr>
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<td>2 740 000</td>
<td>2 880 000</td>
<td>2 600 000</td>
<td>2 700 000</td>
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<tr>
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<td>4 110 000</td>
<td>—</td>
<td>3 900 000</td>
<td>—</td>
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<tr>
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<td>8 100 000</td>
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<td></td>
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<tr>
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#### Prescribed officers

<table>
<thead>
<tr>
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<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Salary</td>
<td>5 452 730</td>
<td>5 442 860</td>
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<tr>
<td>Medical aid</td>
<td>114 768</td>
<td>105 288</td>
<td>127 548</td>
<td>117 012</td>
</tr>
<tr>
<td>Pension</td>
<td>447 556</td>
<td>446 000</td>
<td>296 296</td>
<td>287 037</td>
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<tr>
<td>Other employee benefits</td>
<td>36 258</td>
<td>62 966</td>
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<td>11 057 114</td>
<td>11 009 312</td>
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<tr>
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<tr>
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<tr>
<td>Deferred share award</td>
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<td>8 700 000</td>
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<td><strong>Total variable remuneration</strong></td>
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<tr>
<td><strong>Total remuneration</strong></td>
<td>24 651 312</td>
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<td>23 509 312</td>
<td>25 383 712</td>
</tr>
</tbody>
</table>

#### Board appointment dates and contract terms

Maria Ramos and David Hodnett were appointed to the Board on 1 May 2009 and 1 March 2010 respectively. All executive directors and prescribed officers have a notice period of six months with their potential compensation for loss of office at six months fixed remuneration.

---

### Notes

1. Appointed effective 1 October 2015, prior to this date Nomkhita Nqweni represented key management personnel and as a result the total remuneration represents remuneration earned from 1 January 2015.
2. Resigned effective 30 September 2015.
3. Excludes Nomkhita Nqweni.
4. Note that the election between deferred cash award and deferred share award will be made during the course of March 2016.
## Directors’ and prescribed officers’ remuneration (continued)

### Combined tables for 2015 total remuneration

<table>
<thead>
<tr>
<th>Bank</th>
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<th>2014</th>
</tr>
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<tr>
<td></td>
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<tr>
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<td>27 900 000</td>
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### Executive directors

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<tr>
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<th>David Hodnett</th>
<th>Total</th>
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<tr>
<td>Salary</td>
<td>7 282 552</td>
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<td>Medical aid</td>
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<td>81 840</td>
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<tr>
<td>Pension</td>
<td>592 593</td>
<td>567 593</td>
</tr>
<tr>
<td>Other</td>
<td>44 960</td>
<td>42 860</td>
</tr>
<tr>
<td>Total</td>
<td>14 509 313</td>
<td>14 171 213</td>
</tr>
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</table>

### Non-deferred cash award

<table>
<thead>
<tr>
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<th>David Hodnett</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 740 000</td>
<td>2 880 000</td>
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### Non-deferred share award

<table>
<thead>
<tr>
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<th>Total</th>
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<tr>
<td>2 740 000</td>
<td>2 880 000</td>
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### Deferred cash award

<table>
<thead>
<tr>
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</tr>
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<tr>
<td>4 110 000</td>
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### Deferred share award

<table>
<thead>
<tr>
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<th>Total</th>
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</thead>
<tbody>
<tr>
<td>4 110 000</td>
<td>8 640 000</td>
<td>12 750 000</td>
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### Total variable remuneration

<table>
<thead>
<tr>
<th>Maria Ramos</th>
<th>David Hodnett</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
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### Total remuneration

<table>
<thead>
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### Prescribed officers

<table>
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<tr>
<th>Craig Bond</th>
<th>Stephen van Coller</th>
<th>Nomkhita Nqweni</th>
<th>Willie Lategan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>5 452 730</td>
<td>5 442 860</td>
<td>3 558 286</td>
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<td>105 288</td>
<td>127 548</td>
<td>1 1 7012</td>
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<td>Pension</td>
<td>447 556</td>
<td>446 000</td>
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<tr>
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<td>1 1 057 1 14</td>
<td>11 009 312</td>
<td>10 883 712</td>
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### Non-deferred cash award

<table>
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<tr>
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<th>Stephen van Coller</th>
<th>Nomkhita Nqweni</th>
<th>Willie Lategan</th>
<th>Total</th>
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</thead>
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<td>2 900 000</td>
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### Non-deferred share award

<table>
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<th>Stephen van Coller</th>
<th>Nomkhita Nqweni</th>
<th>Willie Lategan</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>2 720 000</td>
<td>3 200 000</td>
<td>2 500 000</td>
<td>2 900 000</td>
<td>1 060 000</td>
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</table>

### Deferred cash award

<table>
<thead>
<tr>
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<th>Stephen van Coller</th>
<th>Nomkhita Nqweni</th>
<th>Willie Lategan</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>4 080 000</td>
<td>4 800 000</td>
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### Deferred share award

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<th>Nomkhita Nqweni</th>
<th>Willie Lategan</th>
<th>Total</th>
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<td>4 800 000</td>
<td>3 750 000</td>
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### Total variable remuneration

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<th>Willie Lategan</th>
<th>Total</th>
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### Total remuneration

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<th>Stephen van Coller</th>
<th>Nomkhita Nqweni</th>
<th>Willie Lategan</th>
<th>Total</th>
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<td>23 509 312</td>
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<td>50 044 624</td>
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</table>

### Board appointment dates and contract terms

Maria Ramos and David Hodnett were appointed to the Board on 1 May 2009 and 1 March 2010 respectively. All executive directors and prescribed officers have a notice period of six months with their potential compensation for loss of office at six months fixed remuneration.
### Directors’ and prescribed officers’ remuneration (continued)

### Outstanding share-based long-term incentives

The table below outlines outstanding share-based and long-term incentive awards (awarded in respect of performance in a prior period) and role based pay delivered as phantom shares in the year.

#### Notes to the consolidated financial statements

#### for the reporting period ended 31 December

#### Bank

<table>
<thead>
<tr>
<th></th>
<th>Number of shares under award at 1 January 2015</th>
<th>Number of shares awarded during 2015</th>
<th>Share price on award R</th>
<th>Number of shares released during 2015</th>
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<tr>
<th><strong>Executive directors</strong></th>
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<tr>
<td>Maria Ramos</td>
<td>31 405</td>
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<tr>
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<table>
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<td>223 959</td>
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<td>49 824</td>
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</table>

| Stephen van Coller     | 20 190                                       | 16 301                              | 16 726                 | 16 726                               |
| Absa Long-term incentive Plan 2012 – 2014 | 20 190                                      | 20 190                              |                        |                                      |
| Share Value Plan 2013 – 2015 | 108 014                                     | 139                                 |                        |                                      |
| Share Value Plan 2014 – 2016 | 32 603                                      | 166                                 | 7 245                  | 7 245                                |
| Share Value Plan 2015 – 2017 | 50 178                                      | 129                                 | 13 225                 | 13 225                               |
| Non-deferred share award (2015) | 15 332                                     | 189                                 | 15 332                 | 15 332                               |
| **Total**              | 273 095                                      | 42 483                              | 78 924                 | 78 924                               |

| Nomkhita Nqweni        | 3 365                                        | 5 265                               | 5 265                  | 5 265                                |
| Absa Long-term incentive Plan 2012 – 2014 | 3 365                                      | 3 365                               |                        |                                      |
| Barclays Africa Long-term incentive Plan 2013 – 2015 | 19 866                                      | 113                                 | 1 186                  | 1 186                                |
| Share Value Plan 2013 – 2015 | 6 038                                       | 166                                 | 3 019                  | 3 019                                |
| Share Value Plan 2014 – 2016 | 13 921                                      | 129                                 | 4 640                  | 4 640                                |
| Share Value Plan 2015 – 2017 | 7 613                                       | 189                                 |                        |                                      |
| Non-deferred share award (2015) | 5 075                                       | 189                                 | 5 075                  | 5 075                                |
| **Total**              | 86 395                                       | 12 688                              | 71 515                 | 71 515                               |

| Willie Lategan         | 7 404                                        | 7 404                               | 7 404                  | 7 404                                |
| Absa Long-term incentive Plan 2012 – 2014 | 7 404                                      | 7 404                               |                        |                                      |
| Barclays Africa Long-term incentive Plan 2013 – 2015 | 29 799                                      | 1 780                               |                        |                                      |
| Share Value Plan 2013 – 2015 | 54 007                                      | 0                                  |                        |                                      |
| Share Value Plan 2014 – 2016 | 19 838                                      | 166                                 | 5 233                  | 5 233                                |
| Share Value Plan 2015 – 2017 | 9 278                                       | 189                                 | 6 162                  | 6 162                                |
| Non-deferred share award (2015) | 6 186                                       | 189                                 | 6 186                  | 6 186                                |
| **Total**              | 121 554                                      | 15 508                              | 27 235                 | 27 235                               |

**Note:** The Barclays Africa Long-term incentive plan 2013 – 2015 is expected to vest at 55% of the maximum based on performance achieved against the metrics.
### Directors’ and prescribed officers’ remuneration

<table>
<thead>
<tr>
<th>Non-deferred share award (2015)</th>
<th>Total 2015</th>
<th>Total 2016</th>
<th>Total 2017</th>
</tr>
</thead>
<tbody>
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<td>Deferred Award Plan 2012 – 2014</td>
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<tr>
<td>Willie Lategan</td>
<td>9 278</td>
<td>10 055</td>
<td>10 731</td>
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<tr>
<td>Total</td>
<td>25 377</td>
<td>26 088</td>
<td>27 765</td>
</tr>
</tbody>
</table>

### Notes to the consolidated financial statements

**Market price on release date**

<table>
<thead>
<tr>
<th>Market price on release date</th>
<th>Value of release R</th>
<th>Value of dividend released R</th>
<th>Number of shares/options lapsed in 2015</th>
<th>Number of shares under award at 31 December 2015</th>
<th>End of performance period</th>
<th>Last scheduled vesting date</th>
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<tbody>
<tr>
<td>191</td>
<td>5 996 157</td>
<td>943 405</td>
<td>69 972</td>
<td>4 746</td>
<td>2014/12/31</td>
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<tr>
<td>180</td>
<td>852 477</td>
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### Notes to the consolidated financial statements

for the reporting period ended 31 December
### 59. Directors’ and prescribed officers’ remuneration (continued)

#### Outstanding cash-based long-term awards

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<th>Value under award at 1 January 2015 R</th>
<th>Maximum potential value at 1 January 2015 R</th>
<th>Value awarded in the year R</th>
<th>Value released in the year R</th>
<th>Value forfeited in the year R</th>
<th>Value under award at 31 December 2015 R</th>
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Note: The remaining value of the One Africa Long-term incentive plan 2012 – 2014 will be released in June 2016 as shares.
### Directors' and prescribed officers' remuneration (continued)

#### Outstanding cash-based long-term awards

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<tr>
<th>Name</th>
<th>Plan</th>
<th>Period</th>
<th>Value under award at 1 January 2014 R</th>
<th>Value awarded in the year R</th>
<th>Value released in the year R</th>
<th>Value under award at 31 December 2014 R</th>
<th>Maximum potential value at 31 December 2014 R</th>
<th>End of performance period</th>
<th>Last scheduled vesting date</th>
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## Notes to the consolidated financial statements
for the reporting period ended 31 December

### 59. Directors’ and prescribed officers’ remuneration (continued)

#### Group Chairman and non-executive directors’ fees

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<tr>
<th>Name</th>
<th>Bank Board R</th>
<th>Bank Board committees and sub-committees&lt;sup&gt;5&lt;/sup&gt; R</th>
<th>Absa Bank R</th>
<th>Absa Financial Services R</th>
<th>Other R</th>
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#### Bank

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### Notes

1. Single retainer fee applicable to the Chairman.
2. Member of the Short-Term Insurance and Life Actuarial Review Committees (under Absa Financial Services) and Trustee of the Barclays Africa Pension Fund (reported under Other).
3. Step-down from the Bank Board on 30/06/2015.
4. Included in the non-executive directors’ remuneration disclosures are the 2014 fees earned by T Dingaan, S A Fakie, T M Mokgosi-Mwantembe amounting to R364 000, R364 000 and R286 000 respectively. These amounts were previously not disclosed in the remuneration review report and have now been included as comparatives for the current year remuneration.
5. Previously a member of the Absa Bank Models Committee in addition to Absa Bank Board member.
6. Fees include those for services rendered to BAGL.
### Company statement of financial position

**as at 31 December**

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<td>Trading portfolio liabilities</td>
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<td>87 567</td>
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<tr>
<td>Hedging portfolio liabilities</td>
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<tr>
<td>Other liabilities</td>
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<td>17 981</td>
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<td>Provisions</td>
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<td>Current tax liabilities</td>
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<td>Deposits due to customers</td>
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<td>Debt securities in issue</td>
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<td>Borrowed funds</td>
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<td>Deferred tax liabilities</td>
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<td><strong>Total liabilities</strong></td>
<td></td>
<td>872 498</td>
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<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
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<tr>
<td>Capital and reserves</td>
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<td></td>
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<tr>
<td>Attributable to equity holders of the Company:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary share capital</td>
<td>23</td>
<td>304</td>
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<tr>
<td>Ordinary share premium</td>
<td>23</td>
<td>21 455</td>
</tr>
<tr>
<td>Preference share capital</td>
<td>23</td>
<td>1</td>
</tr>
<tr>
<td>Preference share premium</td>
<td>23</td>
<td>4 643</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>31 178</td>
<td>32 535</td>
</tr>
<tr>
<td>Other reserves</td>
<td>24</td>
<td>1 145</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>58 726</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td></td>
<td>931 224</td>
</tr>
</tbody>
</table>
## Company statement of comprehensive income
for the reporting period ended 31 December

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net interest income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and similar income</td>
<td>25</td>
<td>60 296</td>
</tr>
<tr>
<td>Interest expense and similar charges</td>
<td>26</td>
<td>(33 294)</td>
</tr>
<tr>
<td><strong>Non-interest income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>27</td>
<td>16 966</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>27</td>
<td>(1 294)</td>
</tr>
<tr>
<td>Gains and losses from banking and trading activities</td>
<td>28</td>
<td>2 097</td>
</tr>
<tr>
<td>Gains and losses from investment activities</td>
<td>29</td>
<td>768</td>
</tr>
<tr>
<td>Other operating income</td>
<td>30</td>
<td>590</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>46 129</td>
<td>43 830</td>
</tr>
<tr>
<td>Impairment losses on loans and advances</td>
<td>9.1</td>
<td>(5 099)</td>
</tr>
<tr>
<td>Operating income before operating expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>31</td>
<td>41 030</td>
</tr>
<tr>
<td>Other expenses</td>
<td>31</td>
<td>(26 183)</td>
</tr>
<tr>
<td>Other impairments</td>
<td>32</td>
<td>(994)</td>
</tr>
<tr>
<td>Indirect taxation</td>
<td>33</td>
<td>(1 042)</td>
</tr>
<tr>
<td><strong>Operating profit before income tax</strong></td>
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<td></td>
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<tr>
<td>Taxation expense</td>
<td>34</td>
<td>13 853</td>
</tr>
<tr>
<td></td>
<td>(3 628)</td>
<td>(3 525)</td>
</tr>
<tr>
<td><strong>Profit for the reporting period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10 225</td>
<td>8 922</td>
</tr>
</tbody>
</table>

### Profit attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary equity holder</td>
<td></td>
<td>9 904</td>
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<tr>
<td>Non-controlling interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preference equity holders</td>
<td></td>
<td>321</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>10 225</td>
</tr>
</tbody>
</table>

### Earnings per share:

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share (cents per share)</td>
<td>35</td>
<td>2 466,7</td>
</tr>
<tr>
<td>Diluted earnings per share (cents per share)</td>
<td>35</td>
<td>2 466,7</td>
</tr>
</tbody>
</table>
## Company statement of comprehensive income

for the reporting period ended 31 December

<table>
<thead>
<tr>
<th>Note</th>
<th>Company</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the reporting period</td>
<td>10 225</td>
<td>8 922</td>
<td></td>
</tr>
</tbody>
</table>

### Other comprehensive income

**Items that will not be reclassified to profit or loss**

<table>
<thead>
<tr>
<th>Movement in retirement benefit fund assets and liabilities</th>
<th>9</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in retirement benefit surplus</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(3)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12</td>
<td>3</td>
</tr>
</tbody>
</table>

**Items that are or may be subsequently reclassified to profit or loss**

<table>
<thead>
<tr>
<th>Movement in foreign currency translation reserve</th>
<th>145</th>
<th>(304)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences on translation of foreign operations</td>
<td>412</td>
<td>93</td>
</tr>
<tr>
<td>Gains released to profit or loss</td>
<td>(267)</td>
<td>(397)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(2 222)</td>
<td>(253)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Movement in cash flow hedging reserve</th>
<th>(2 028)</th>
<th>1 092</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount removed from other comprehensive income and recognised in profit or loss</td>
<td>(1 058)</td>
<td>(1 443)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>864</td>
<td>98</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(326)</td>
<td>(39)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Movement in available-for-sale reserve</th>
<th>(671)</th>
<th>(100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release to profit or loss</td>
<td>210</td>
<td>44</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>135</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(7 831)</td>
<td>8 328</td>
</tr>
</tbody>
</table>

### Total comprehensive income for the year

<table>
<thead>
<tr>
<th>Total comprehensive income attributable to:</th>
<th>7 831</th>
<th>8 328</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary equity holder</td>
<td>7 510</td>
<td>8 023</td>
</tr>
<tr>
<td>Preference equity holders</td>
<td>321</td>
<td>305</td>
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<tr>
<td><strong>Total</strong></td>
<td>7 831</td>
<td>8 328</td>
</tr>
</tbody>
</table>
Company statement of changes in equity
for the reporting period ended 31 December

<table>
<thead>
<tr>
<th>Company</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of ordinary shares '000</td>
<td>Share capital Rm</td>
</tr>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>396 151</td>
</tr>
<tr>
<td>Total comprehensive income for the reporting period</td>
<td>—</td>
</tr>
<tr>
<td>Profit for the reporting period</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid during the reporting period</td>
<td>—</td>
</tr>
<tr>
<td>Shares issued</td>
<td>16 647</td>
</tr>
<tr>
<td>Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements</td>
<td>—</td>
</tr>
<tr>
<td>Movement in share-based payment reserve</td>
<td>—</td>
</tr>
<tr>
<td>Value of employee services</td>
<td>—</td>
</tr>
<tr>
<td>Conversion from cash-settled, to equity-settled schemes</td>
<td>—</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>—</td>
</tr>
<tr>
<td>Balance at the end of the reporting period</td>
<td>412 798</td>
</tr>
<tr>
<td>Note</td>
<td>23</td>
</tr>
</tbody>
</table>

| Balance at the end of the reporting period | 396 151 | 303 | 16 465 | 1 | 4 643 |
| Note | 23 | 23 | 23 | 23 | 23 |

All movements are reflected net of taxation, refer to note 15.
### Company statement of changes in equity
for the reporting period ended 31 December

#### 2015

<table>
<thead>
<tr>
<th></th>
<th>Retained earnings Rm</th>
<th>Total other reserves Rm</th>
<th>Available-for-sale reserve Rm</th>
<th>Cash flow hedging reserve Rm</th>
<th>Foreign currency translation reserve Rm</th>
<th>Capital reserve Rm</th>
<th>Share-based payment reserve Rm</th>
<th>Total equity Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December</strong></td>
<td>32 535</td>
<td>3 003</td>
<td>925</td>
<td>351</td>
<td>303</td>
<td>1 422</td>
<td>2</td>
<td>56 950</td>
</tr>
<tr>
<td><strong>10 234</strong></td>
<td>(2 403)</td>
<td></td>
<td>(326)</td>
<td>(2 222)</td>
<td>145</td>
<td></td>
<td></td>
<td>7 831</td>
</tr>
<tr>
<td><strong>10 225</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>(2 225)</td>
</tr>
<tr>
<td><strong>9</strong></td>
<td>(2 403)</td>
<td></td>
<td>(326)</td>
<td>(2 222)</td>
<td>145</td>
<td></td>
<td></td>
<td>(2 394)</td>
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<td><strong>(11 437)</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>(11 437)</td>
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<tr>
<td><strong>(154)</strong></td>
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<td></td>
<td></td>
<td></td>
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<td>5 001</td>
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<td><strong>—</strong></td>
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<td></td>
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<td></td>
<td></td>
<td>209</td>
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<td><strong>—</strong></td>
<td>373</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>(37)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(37)</td>
</tr>
<tr>
<td><strong>31 178</strong></td>
<td>1 145</td>
<td>599</td>
<td>(1 871)</td>
<td>448</td>
<td>1 422</td>
<td>547</td>
<td></td>
<td>58 726</td>
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</table>

|                  | 24                    | 24                      | 24                            | 24                          | 24                                     |                    |                               | 24             |

#### 2014

<table>
<thead>
<tr>
<th></th>
<th>Retained earnings Rm</th>
<th>Total other reserves Rm</th>
<th>Available-for-sale reserve Rm</th>
<th>Cash flow hedging reserve Rm</th>
<th>Foreign currency translation reserve Rm</th>
<th>Capital reserve Rm</th>
<th>Share-based payment reserve Rm</th>
<th>Total equity Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December</strong></td>
<td>33 559</td>
<td>3 621</td>
<td>964</td>
<td>604</td>
<td>607</td>
<td>1 422</td>
<td>24</td>
<td>55 592</td>
</tr>
<tr>
<td><strong>8 924</strong></td>
<td>(596)</td>
<td></td>
<td>(39)</td>
<td>(253)</td>
<td>(304)</td>
<td></td>
<td></td>
<td>8 328</td>
</tr>
<tr>
<td><strong>8 922</strong></td>
<td></td>
<td></td>
<td>(39)</td>
<td>(253)</td>
<td>(304)</td>
<td></td>
<td></td>
<td>8 922</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>(596)</td>
<td></td>
<td>(39)</td>
<td>(253)</td>
<td>(304)</td>
<td></td>
<td></td>
<td>(594)</td>
</tr>
<tr>
<td><strong>(9 940)</strong></td>
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<td></td>
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<td>(9 940)</td>
</tr>
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<td><strong>(8)</strong></td>
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<td></td>
<td>3 000</td>
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<td></td>
<td></td>
<td>(8)</td>
</tr>
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<td><strong>—</strong></td>
<td>(22)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td>(22)</td>
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<tr>
<td><strong>—</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(22)</td>
</tr>
<tr>
<td><strong>32 535</strong></td>
<td>3 003</td>
<td>925</td>
<td>351</td>
<td>303</td>
<td>1 422</td>
<td>2</td>
<td></td>
<td>56 950</td>
</tr>
</tbody>
</table>

|                  | 24                    | 24                      | 24                            | 24                          | 24                                     |                    |                               | 24             |

Note: All movements are reflected net of taxation, refer to note 15.
## Company statement of cash flows

for the reporting period ended 31 December

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

### Cash flow from operating activities

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>59 665</td>
<td>53 402</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(35 030)</td>
<td>(31 464)</td>
</tr>
<tr>
<td>Fees and commission received</td>
<td>16 966</td>
<td>15 897</td>
</tr>
<tr>
<td>Fee and commission paid</td>
<td>(1 295)</td>
<td>(1 188)</td>
</tr>
<tr>
<td>Net trading and other expenses</td>
<td>(501)</td>
<td>5 773</td>
</tr>
<tr>
<td>Cash payments to employees and suppliers</td>
<td>(23 726)</td>
<td>(23 104)</td>
</tr>
<tr>
<td>Dividends received from banking and trading activities</td>
<td>80</td>
<td>75</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(3 864)</td>
<td>(3 492)</td>
</tr>
</tbody>
</table>

**Cash flow from operating activities before changes in operating assets and liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
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</tbody>
</table>

**Net (increase)/decrease in trading and hedging portfolio assets**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Net (increase) in loans and advances to customers**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Net (increase)/decrease in investment securities**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Net increase in other assets**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Net increase/(decrease) in trading and hedging portfolio liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Net increase in amounts due to customers and banks**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Net increase/(decrease) in other liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Net cash generated from operating activities**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

### Cash flow from investing activities

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Purchase of property and equipment**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>(3 084)</td>
<td>(2 180)</td>
</tr>
</tbody>
</table>

**Proceeds from disposal of property and equipment**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>148</td>
<td>137</td>
</tr>
</tbody>
</table>

**Proceeds on sale of non-current assets held for sale**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>141</td>
<td>197</td>
</tr>
</tbody>
</table>

**Purchase of intangible assets**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>(827)</td>
<td>(473)</td>
</tr>
</tbody>
</table>

**Dividends received from investment activities**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Net cash utilised from investing activities**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

### Cash flow from financing activities

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Issue of ‘A’ ordinary shares**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 000</td>
<td>3 000</td>
</tr>
</tbody>
</table>

**Purchase of Barclays Africa Group Limited shares in respect of equity-settled share-based payment arrangements**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(164)</td>
<td>(8)</td>
</tr>
</tbody>
</table>

**Proceeds from borrowed funds**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4 500</td>
<td>500</td>
</tr>
</tbody>
</table>

**Repayment of borrowed funds**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2 000)</td>
<td>(4 725)</td>
</tr>
</tbody>
</table>

**Dividends paid**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(11 437)</td>
<td>(9 940)</td>
</tr>
</tbody>
</table>

**Net cash utilised in financing activities**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Net (decrease)/increase in cash and cash equivalents**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Cash and cash equivalents at the beginning of the reporting period**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

**Cash and cash equivalents at the end of the reporting period**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

---

Note

1. In the current year, the Company decided to disclose interest received and interest paid separate from fee and commission income and expenses. These lines were previously disclosed together as “Interest, fee and commission income” and “Interest, fee and commission expense.”
Notes to the Company financial statements
for the reporting period ended 31 December

1. **Accounting policies**
   The financial statements of Absa Bank Limited (the Company) are prepared according to the same accounting principles used in preparing the consolidated financial statements of the Bank. For detailed accounting policies refer to the Bank’s financial statements.

<table>
<thead>
<tr>
<th>Company</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

2. **Cash, cash balances and balances with central banks**
   Balances with the SARB | 17 459 | 12 621 |
   Coins and bank notes | 8 607 | 8 777 |
   Money market assets | 2 | — |

   The minimum reserve balance to be held in cash with the South African Reserve Bank is calculated under the provision of Regulation 27. The balance is 2.5% of the adjusted liabilities as set out in regulation 27. The required average daily minimum reserve balance must be held with the Reserve Bank as from the fifteenth business day of the month following the month to which the BA310 return relates and cannot be utilised in the normal course of business.

<table>
<thead>
<tr>
<th>Company</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

3. **Investment securities**
   Government bonds | 45 577 | 47 128 |
   Listed equity instruments | 68 | 86 |
   Other debt securities | 5 972 | 3 116 |
   Treasury bills | 19 924 | 18 526 |
   Unlisted equity and hybrid instruments | 838 | 1 439 |

   RSA government bonds, SARB debentures and treasury bills valued at **R9 725** (2014: **R5 689**) have been pledged with the SARB.

<table>
<thead>
<tr>
<th>Company</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
</tbody>
</table>

4. **Loans and advances to banks**
   Loans and advances to banks | 57 009 | 46 233 |

   Included above are reverse repurchase agreements of **R21 324m** (2014: **R15 217m**) and other collateralised loans of **R2 252m** (2014: **R2 382m**) relating to securities borrowed.
5. Trading and hedging portfolio assets

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodities</td>
<td>2 005</td>
<td>1 701</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>27 528</td>
<td>30 046</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>77 537</td>
<td>40 295</td>
</tr>
<tr>
<td>Commodity derivatives</td>
<td>223</td>
<td>350</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>908</td>
<td>375</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>2 161</td>
<td>1 040</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>26 996</td>
<td>8 328</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>47 249</td>
<td>30 202</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>1 409</td>
<td>946</td>
</tr>
<tr>
<td>Money market assets</td>
<td>7 976</td>
<td>5 584</td>
</tr>
<tr>
<td>Total trading portfolio assets</td>
<td>116 455</td>
<td>78 572</td>
</tr>
<tr>
<td>Hedging portfolio assets</td>
<td>2 216</td>
<td>2 335</td>
</tr>
<tr>
<td>Total</td>
<td>118 671</td>
<td>80 907</td>
</tr>
</tbody>
</table>

Trading portfolio assets with a carrying value of R17 403m (2014: R23 390m) were pledged as security for repurchase agreements. These assets are pledged for the duration of the respective agreements.

Included within debt instruments are financial assets traded in the debt capital market with an original maturity of more than one year such as government and corporate bonds.

Included within money market assets are highly liquid financial assets with an original maturity of one year or less, such as floating rate notes, negotiable certificates of deposit, treasury bills, promissory notes, commercial paper and bankers’ acceptance notes.
6. **Other assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable and prepayments</td>
<td>10 847</td>
<td>7 395</td>
</tr>
<tr>
<td>Deferred costs</td>
<td>198</td>
<td>193</td>
</tr>
<tr>
<td>Inventories</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>46</td>
<td>39</td>
</tr>
<tr>
<td><strong>Write-down</strong></td>
<td>(31)</td>
<td>(29)</td>
</tr>
<tr>
<td>Retirement benefit fund surplus (refer to note 37 of the Bank’s financial statements)</td>
<td>466</td>
<td>466</td>
</tr>
<tr>
<td>Settlement accounts</td>
<td>7 198</td>
<td>1 194</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18 724</td>
<td>9 258</td>
</tr>
</tbody>
</table>

7. **Non-current assets held for sale**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>250</td>
<td>558</td>
</tr>
<tr>
<td>Disposals</td>
<td>(141)</td>
<td>(339)</td>
</tr>
<tr>
<td>Transfer from investment securities</td>
<td>—</td>
<td>29</td>
</tr>
<tr>
<td>Transfer from property and equipment (refer to note 13)</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td>Fair value adjustments of investment securities</td>
<td>—</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Balance at the end of the reporting period</strong></td>
<td>109</td>
<td>250</td>
</tr>
</tbody>
</table>

During the reporting period disposals of non-current assets and liabilities held for sale occurred in RBB (including CPF), and the Head Office segments. Other assets and liabilities disclosed remain classified as non-current assets held for sale as the Bank has assessed that the sales remain highly probable.

The following movements in non-current assets held for sale were effected during the previous financial reporting period:

- RBB transferred investment securities with a carrying value of R29m.
- The Head Office and other operations segment transferred property and equipment with a carrying value of R3m.
- The Commercial Property Finance (“CPF”) Equity division disposed of its investment in a non-core subsidiary.
### 8. Loans and advances to customers

<table>
<thead>
<tr>
<th></th>
<th>Company</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td></td>
</tr>
<tr>
<td>Corporate overdrafts and specialised finance loans</td>
<td>8 784</td>
<td>7 428</td>
<td></td>
</tr>
<tr>
<td>Credit cards</td>
<td>32 847</td>
<td>32 684</td>
<td></td>
</tr>
<tr>
<td>Foreign currency loans</td>
<td>22 419</td>
<td>21 150</td>
<td></td>
</tr>
<tr>
<td>Instalment credit agreements (refer to note 8.1)</td>
<td>71 261</td>
<td>69 725</td>
<td></td>
</tr>
<tr>
<td><strong>Gross advances</strong></td>
<td><strong>87 701</strong></td>
<td><strong>85 855</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Unearned finance charges</strong></td>
<td>(16 440)</td>
<td>(16 130)</td>
<td></td>
</tr>
<tr>
<td>Loans to associates and joint ventures¹</td>
<td>17 079</td>
<td>14 456</td>
<td></td>
</tr>
<tr>
<td>Microloans</td>
<td>2 870</td>
<td>2 282</td>
<td></td>
</tr>
<tr>
<td>Mortgages¹</td>
<td>270 062</td>
<td>265 457</td>
<td></td>
</tr>
<tr>
<td>Other advances</td>
<td>4 831</td>
<td>3 685</td>
<td></td>
</tr>
<tr>
<td>Overdrafts</td>
<td>31 287</td>
<td>29 698</td>
<td></td>
</tr>
<tr>
<td>Overnight finance</td>
<td>15 236</td>
<td>18 607</td>
<td></td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>30 426</td>
<td>28 152</td>
<td></td>
</tr>
<tr>
<td>Preference shares</td>
<td>12 294</td>
<td>8 155</td>
<td></td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>20 310</td>
<td>5 819</td>
<td></td>
</tr>
<tr>
<td>Wholesale overdrafts</td>
<td>70 471</td>
<td>58 742</td>
<td></td>
</tr>
<tr>
<td><strong>Gross loans and advances to customers</strong></td>
<td><strong>610 177</strong></td>
<td><strong>566 040</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Impairment losses on loans and advances (refer to note 9)</strong></td>
<td>(11 872)</td>
<td>(12 213)</td>
<td></td>
</tr>
<tr>
<td><strong>Net advances</strong></td>
<td><strong>598 305</strong></td>
<td><strong>553 827</strong></td>
<td></td>
</tr>
</tbody>
</table>

Included above are loans and advances to customers with a carrying value of R3 093m (2014: R7 854m) that have been pledged as security, including collateralised loans of R1 086m (2014: R2 827m) relating to securities borrowed.

The amount pledged is the required threshold of cash collateral based on specific arrangements with different counterparties. Exposures are reviewed on a periodic basis, whereby these thresholds are adjusted accordingly.

Other advances include customer liabilities under acceptances, working capital solutions and collateralised loans.

### 8.1 Instalment credit agreements

#### Maturity analysis

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unearned</td>
<td>Unearned</td>
</tr>
<tr>
<td></td>
<td>advances</td>
<td>finance charges</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Less than one year</td>
<td>27 911</td>
<td>(6 582)</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>57 353</td>
<td>(9 740)</td>
</tr>
<tr>
<td>More than five years</td>
<td>2 437</td>
<td>(118)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87 701</strong></td>
<td><strong>(16 440)</strong></td>
</tr>
</tbody>
</table>

The Company enters into instalment credit agreements in respect of motor vehicles, equipment and medical equipment.

The majority of the leases are denominated in South African rand. The average term of the finance leases entered into is five years.

Under the terms of the lease agreements, no contingent rentals are payable.

Unguaranteed residual values of instalment credit agreements at the reporting date are R5 529m (2014: R4 805m).

The accumulated allowance for uncollectible lease payments receivable included in the allowance for impairments at the reporting date is R890m (2014: R777m).

---

¹ In the current period, it was determined that the nature of certain loans to associates is closely linked to mortgages. This resulted in allocation of R305m out of loans to associates and joint venture to mortgages in the prior year.
## 9. Impairment losses on loans and advances to customers

**Comprising:**

<table>
<thead>
<tr>
<th></th>
<th>Company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Identified impairments</td>
<td>10 130</td>
<td>10 673</td>
</tr>
<tr>
<td>Unidentified impairments</td>
<td>1 742</td>
<td>1 540</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11 872</strong></td>
<td><strong>12 213</strong></td>
</tr>
</tbody>
</table>

### Reconciliation of allowances for impairment losses on loans and advances to customers

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the reporting period</td>
<td>12 213</td>
</tr>
<tr>
<td>Net present value unwind on non-performing book</td>
<td>(721)</td>
</tr>
<tr>
<td>Amount written-off</td>
<td>(5 479)</td>
</tr>
<tr>
<td>Impairment raised – identified</td>
<td>5 652</td>
</tr>
<tr>
<td>Impairment raised – unidentified</td>
<td>207</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11 872</td>
</tr>
</tbody>
</table>

### 9.1 Statement of comprehensive income charge during the reporting period

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairments raised</td>
<td>5 859</td>
</tr>
<tr>
<td>Identified impairments</td>
<td>5 652</td>
</tr>
<tr>
<td>Unidentified impairments</td>
<td>207</td>
</tr>
<tr>
<td>Recoveries of loans and advances previously written off</td>
<td>(760)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5 099</td>
</tr>
</tbody>
</table>

## 10. Loans to Group companies

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fellow subsidiaries</td>
<td>25 909</td>
</tr>
<tr>
<td></td>
<td>18 109</td>
</tr>
</tbody>
</table>

The loans to fellow subsidiaries are non-interest bearing repayable on demand debt instruments.

## 11. Investments in associates and joint ventures

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted investments</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

### 11.1 Movement in the carrying value of associates and joint ventures

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the reporting period</td>
<td>100</td>
</tr>
<tr>
<td>Impairment charge (refer to note 32)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

## 12. Subsidiaries

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares at cost</td>
<td>199</td>
</tr>
<tr>
<td>Loans to subsidiary companies</td>
<td>488</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>687</td>
</tr>
<tr>
<td></td>
<td>430</td>
</tr>
</tbody>
</table>

The increase in shares at cost is caused by a foreign exchange movement.

The loans to group companies are non-interest bearing, repayable on demand instruments. The increases are caused by the acquisition of a non-core joint venture as well as movements due to foreign exchange.

Refer to note 42.4 and 42.6 in the Bank’s financial statements for the list of significant subsidiaries, joint ventures and associates per IAS 27:17(b) requirements.
### 13. Property and equipment

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Accumulated depreciation and/or impairments</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Computer equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>6 022</td>
<td>(3 090)</td>
<td>2 932</td>
</tr>
<tr>
<td>2014</td>
<td>4 867</td>
<td>(2 847)</td>
<td>2 020</td>
</tr>
<tr>
<td>Freehold property</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>6 167</td>
<td>(332)</td>
<td>5 835</td>
</tr>
<tr>
<td>2014</td>
<td>5 278</td>
<td>(324)</td>
<td>4 954</td>
</tr>
<tr>
<td>Furniture and other equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>4 412</td>
<td>(2 234)</td>
<td>2 178</td>
</tr>
<tr>
<td>2014</td>
<td>4 307</td>
<td>(2 151)</td>
<td>2 156</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>2</td>
<td>(2)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>16 603</td>
<td>(5 658)</td>
<td>10 945</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>14 455</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(5 325)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9 130</td>
</tr>
</tbody>
</table>

#### Reconciliation of property and equipment

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Depreciation</th>
<th>Impairment charge</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>2 020</td>
<td>1 563</td>
<td>(17)</td>
<td>—</td>
<td>(634)</td>
<td>2 932</td>
</tr>
<tr>
<td>Freehold property</td>
<td>4 954</td>
<td>908</td>
<td>(11)</td>
<td>—</td>
<td>(16)</td>
<td>5 835</td>
</tr>
<tr>
<td>Furniture and other equipment</td>
<td>2 156</td>
<td>614</td>
<td>(92)</td>
<td>—</td>
<td>(500)</td>
<td>2 178</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>9 130</td>
<td>3 085</td>
<td>(120)</td>
<td>—</td>
<td>(1 150)</td>
<td>10 945</td>
</tr>
</tbody>
</table>

#### Note

2014: 7 31 32

#### Reconciliation of property and equipment

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Depreciation</th>
<th>Impairment charge</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>1 684</td>
<td>1 048</td>
<td>(3)</td>
<td>—</td>
<td>(632)</td>
<td>2 020</td>
</tr>
<tr>
<td>Freehold property</td>
<td>4 117</td>
<td>916</td>
<td>(63)</td>
<td>—</td>
<td>(16)</td>
<td>4 954</td>
</tr>
<tr>
<td>Furniture and other equipment</td>
<td>2 695</td>
<td>217</td>
<td>(57)</td>
<td>(3)</td>
<td>(522)</td>
<td>2 156</td>
</tr>
<tr>
<td></td>
<td>8 496</td>
<td>2 181</td>
<td>(123)</td>
<td>(3)</td>
<td>(1 170)</td>
<td>9 130</td>
</tr>
</tbody>
</table>

#### Note

2014: 7 31 32

Computer equipment with a carrying value of Rnil (2014: R14m) are encumbered under finance leases (refer to note 18).

Included in the above additions is R286m (2014: R867m) that relates to expenditure capitalised to the cost of the asset during the course of its construction. During the year under review, an amount of R236m (2014: R80m) was transferred from assets under construction and brought into use.
14. Goodwill and intangible assets

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th></th>
<th>2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Rm</td>
<td>Accumulated</td>
<td>amortisation and/or</td>
</tr>
<tr>
<td></td>
<td>Rm</td>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Computer software development costs</td>
<td>3 005</td>
<td>(1 472)</td>
<td>1 533</td>
<td>2 185</td>
</tr>
<tr>
<td>Customer lists and relationships</td>
<td>482</td>
<td>(119)</td>
<td>363</td>
<td>482</td>
</tr>
<tr>
<td>Other</td>
<td>58</td>
<td>(37)</td>
<td>21</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>3 545</td>
<td>(1 628)</td>
<td>1 917</td>
<td>2 720</td>
</tr>
</tbody>
</table>

Company

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>2014</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening balance Rm</td>
<td>Additions Rm</td>
<td>Disposals Rm</td>
<td>Amortisation and/or impairments Rm</td>
<td>Impairment charge Rm</td>
<td>Closing balance Rm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer software development costs</td>
<td>887</td>
<td>821</td>
<td>—</td>
<td>—</td>
<td>(175)</td>
<td>—</td>
<td>1 533</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer lists and relationships</td>
<td>395</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(32)</td>
<td>—</td>
<td>363</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>28</td>
<td>6</td>
<td>—</td>
<td>—</td>
<td>(13)</td>
<td>—</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 310</td>
<td>827</td>
<td>—</td>
<td>—</td>
<td>(220)</td>
<td>—</td>
<td>1 917</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation of intangible assets

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>2014</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening balance Rm</td>
<td>Additions Rm</td>
<td>Disposals Rm</td>
<td>Amortisation and/or impairments Rm</td>
<td>Impairment charge Rm</td>
<td>Closing balance Rm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer software development costs</td>
<td>765</td>
<td>403</td>
<td>—</td>
<td>—</td>
<td>(154)</td>
<td>(127)</td>
<td>887</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer lists and relationships</td>
<td>385</td>
<td>70</td>
<td>—</td>
<td>—</td>
<td>(60)</td>
<td>—</td>
<td>395</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>40</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(12)</td>
<td>—</td>
<td>28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 190</td>
<td>473</td>
<td>—</td>
<td>—</td>
<td>(226)</td>
<td>(127)</td>
<td>1 310</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note

Refer to note 1.11 of the Bank’s financial statements for useful lives, amortisation methods and amortisation rates. The majority of computer software development costs were internally generated with the remainder externally acquired.

Included in computer software development costs is R691m (2014: R666m) relating to assets under construction.
# Notes to the Company financial statements
for the reporting period ended 31 December

## 15. **Deferred tax**

### 15.1 **Reconciliation of net deferred tax liability**

<table>
<thead>
<tr>
<th>Balance at the beginning of the reporting period</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax on amounts charged directly to other comprehensive income and equity</td>
<td>(961)</td>
<td>(114)</td>
</tr>
<tr>
<td>Charge to the profit or loss component of the statement of comprehensive income (refer to note 34)</td>
<td>154</td>
<td>123</td>
</tr>
<tr>
<td>Tax effect of translation and other differences</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td><strong>Balance at the end of the reporting period</strong></td>
<td><strong>104</strong></td>
<td><strong>905</strong></td>
</tr>
</tbody>
</table>

### 15.2 **Deferred tax liability**

Tax effects of temporary differences between tax and book value for:

| Accruals and provisions | 566 | 1 283 |
| Fair value adjustments on financial instruments | 86  | 155  |
| Impairment of loans and advances | (393) | (375) |
| Lease and rental debtor allowances | (179) | (155) |
| Property allowances | 136  | 80    |
| Share-based payments | (264) | (230) |
| Retirement benefit fund assets and liabilities | 152  | 147   |
| **Deferred tax liability** | **104** | **905** |

## 16. **Deposits from banks**

<table>
<thead>
<tr>
<th>Deposit Type</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call deposits</td>
<td>8 331</td>
<td>10 550</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>13 180</td>
<td>8 800</td>
</tr>
<tr>
<td>Foreign currency deposits</td>
<td>11 325</td>
<td>6 520</td>
</tr>
<tr>
<td>Notice deposits</td>
<td>522</td>
<td>810</td>
</tr>
<tr>
<td>Other deposits</td>
<td>5 161</td>
<td>6 199</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>22 507</td>
<td>21 225</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>61 026</strong></td>
<td><strong>54 104</strong></td>
</tr>
</tbody>
</table>
### 17. Trading and hedging portfolio liabilities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Derivative liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity derivatives</td>
<td>117</td>
<td>303</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>893</td>
<td>362</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>3 825</td>
<td>1 494</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>28 180</td>
<td>9 938</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>53 310</td>
<td>29 688</td>
</tr>
<tr>
<td><strong>Total trading portfolio liabilities</strong></td>
<td>87 567</td>
<td>44 580</td>
</tr>
<tr>
<td><strong>Hedging portfolio liabilities</strong></td>
<td>4 531</td>
<td>2 577</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>92 098</td>
<td>47 157</td>
</tr>
</tbody>
</table>

### 18. Other liabilities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td>1 322</td>
<td>1 337</td>
</tr>
<tr>
<td>Audit fee accrual</td>
<td>36</td>
<td>59</td>
</tr>
<tr>
<td>Creditors</td>
<td>6 456</td>
<td>6 323</td>
</tr>
<tr>
<td>Deferred income</td>
<td>231</td>
<td>272</td>
</tr>
<tr>
<td>Liabilities under finance leases</td>
<td>—</td>
<td>14</td>
</tr>
<tr>
<td>Settlement balances</td>
<td>9 575</td>
<td>4 568</td>
</tr>
<tr>
<td>Share-based payment liability (refer to note 49)</td>
<td>361</td>
<td>820</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17 981</td>
<td>13 393</td>
</tr>
</tbody>
</table>
19. **Provisions**

<table>
<thead>
<tr>
<th></th>
<th>Company 2015</th>
<th>Sundry provisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at the beginning of the reporting period</strong></td>
<td>1 285</td>
<td>568</td>
<td>1 853</td>
</tr>
<tr>
<td>Additions</td>
<td>602</td>
<td>470</td>
<td>1 072</td>
</tr>
<tr>
<td>Amounts used</td>
<td>(532)</td>
<td>(333)</td>
<td>(865)</td>
</tr>
<tr>
<td>Reversals</td>
<td>(10)</td>
<td>(81)</td>
<td>(91)</td>
</tr>
<tr>
<td><strong>Balance at the end of the reporting period</strong></td>
<td>1 345</td>
<td>624</td>
<td>1 969</td>
</tr>
</tbody>
</table>

Provisions expected to be recovered or settled within no more than 12 months after the recording date were R1 797m (2014: R1 630m).

Sundry provisions are made with respect to conduct and fraud cases, litigation and onerous contracts.

20. **Deposits due to customers**

<table>
<thead>
<tr>
<th></th>
<th>Company 2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Call deposits</strong></td>
<td>72 153</td>
<td>57 007</td>
</tr>
<tr>
<td><strong>Cheque account deposits</strong></td>
<td>151 472</td>
<td>146 731</td>
</tr>
<tr>
<td><strong>Credit card deposits</strong></td>
<td>2 002</td>
<td>1 932</td>
</tr>
<tr>
<td><strong>Fixed deposits</strong></td>
<td>131 187</td>
<td>131 382</td>
</tr>
<tr>
<td><strong>Foreign currency deposits</strong></td>
<td>26 168</td>
<td>21 723</td>
</tr>
<tr>
<td><strong>Notice deposits</strong></td>
<td>48 954</td>
<td>49 764</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>1 554</td>
<td>2 012</td>
</tr>
<tr>
<td><strong>Repurchase agreements</strong></td>
<td>4 620</td>
<td>2 165</td>
</tr>
<tr>
<td><strong>Saving and transmission deposits</strong></td>
<td>122 522</td>
<td>108 852</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>560 612</td>
<td>521 568</td>
</tr>
</tbody>
</table>

Other deposits due to customers include deposits due on structured deals, preference investments on behalf of customers and unclaimed deposits.
## Notes to the Company financial statements
for the reporting period ended 31 December

### 21. Debt securities in issue

<table>
<thead>
<tr>
<th>Security Type</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit linked notes</td>
<td>11 597</td>
<td>8 823</td>
</tr>
<tr>
<td>Floating rate notes</td>
<td>54 721</td>
<td>41 524</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>32 842</td>
<td>29 567</td>
</tr>
<tr>
<td>Other</td>
<td>331</td>
<td>24</td>
</tr>
<tr>
<td>Promissory notes</td>
<td>1 232</td>
<td>949</td>
</tr>
<tr>
<td>Structured notes and bonds</td>
<td>255</td>
<td>435</td>
</tr>
<tr>
<td>Senior notes</td>
<td>24 703</td>
<td>23 398</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>125 681</td>
<td>104 720</td>
</tr>
</tbody>
</table>

### 22. Borrowed funds

**Subordinated callable notes issued by Absa Limited**

The following subordinated debt instruments qualify as secondary capital in terms of the Banks Act.

<table>
<thead>
<tr>
<th>Interest rate</th>
<th>Final maturity date</th>
<th>Notes</th>
<th>Thoughts</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,10%</td>
<td>27 March 2020</td>
<td>i</td>
<td>2 000</td>
</tr>
<tr>
<td>8,295%</td>
<td>21 November 2023</td>
<td>ii</td>
<td>1 188</td>
</tr>
<tr>
<td>10,05%</td>
<td>05 February 2025</td>
<td>iii</td>
<td>807</td>
</tr>
<tr>
<td>10,28%</td>
<td>03 May 2022</td>
<td>iv</td>
<td>600</td>
</tr>
<tr>
<td>10,835%</td>
<td>19 November 2024</td>
<td>v</td>
<td>130</td>
</tr>
<tr>
<td>11,365%</td>
<td>04 September 2025</td>
<td>vi</td>
<td>508</td>
</tr>
<tr>
<td>11,40%</td>
<td>29 September 2025</td>
<td>vii</td>
<td>288</td>
</tr>
<tr>
<td>11,81%</td>
<td>03 September 2027</td>
<td>viii</td>
<td>737</td>
</tr>
<tr>
<td>Three-month Johannesburg Interbank Agreed Rate</td>
<td>03 May 2022</td>
<td>ix</td>
<td>400</td>
</tr>
<tr>
<td>Three-month JIBAR + 2,10%</td>
<td>21 November 2022</td>
<td>x</td>
<td>1 805</td>
</tr>
<tr>
<td>Three-month JIBAR + 2,05%</td>
<td>21 November 2023</td>
<td>xi</td>
<td>2 007</td>
</tr>
<tr>
<td>Three-month JIBAR + 3,30%</td>
<td>19 November 2024</td>
<td>xii</td>
<td>370</td>
</tr>
<tr>
<td>Three-month JIBAR + 3,50%</td>
<td>05 February 2025</td>
<td>xiii</td>
<td>1 693</td>
</tr>
<tr>
<td>Three-month JIBAR + 3,50%</td>
<td>04 September 2025</td>
<td>xiv</td>
<td>437</td>
</tr>
<tr>
<td>Three-month JIBAR + 3,60%</td>
<td>03 September 2027</td>
<td>xv</td>
<td>30</td>
</tr>
<tr>
<td>Consumer Price Index (“CPI”) linked notes, fixed at the following coupon rates: 5,50%</td>
<td>07 December 2028</td>
<td>xvi</td>
<td>1 500</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>682</td>
<td></td>
<td>572</td>
</tr>
<tr>
<td>Fair value adjustments on total subordinated debt instruments</td>
<td>(228)</td>
<td>(37)</td>
<td></td>
</tr>
</tbody>
</table>
22. Borrowed funds (continued)

i. The 8.10% fixed rate notes were redeemed in full by the Company on 27 March 2015. Interest was paid semi-annually in arrears on 27 March and 27 September of each year.

ii. The 8.295% fixed rate notes may be redeemed in full at the option of the Company on 21 November 2018. Interest is paid semi-annually in arrears on 21 May and 21 November of each year. The Company has an option to exercise the redemption on any interest payment date after 21 November 2018. There is no step-up in the coupon rate if the Company does not exercise the redemption option.

iii. The 10.05% fixed rate notes may be redeemed in full at the option of the Company on 5 February 2020. Interest is paid semi-annually in arrears on 5 February and 5 August. The Company has an option to exercise the redemption on any interest payment date after 5 February 2020. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

iv. The 10.28% fixed rate notes may be redeemed in full at the option of the Company on 3 May 2017. Interest is paid semi-annually in arrears on 3 May and 3 November of each year, provided that the last date for payment shall be 3 May 2017. If the Company does not exercise the redemption option, interest is payable thereafter at a floating rate of three-month JIBAR plus 4.10% quarterly in arrears on 3 August, 3 November, 3 February and 3 May.

v. The 10.835% fixed rate notes may be redeemed in full at the option of the Company on 19 November 2019. Interest is paid semi-annually in arrears on 19 May and 19 November. The Company has an option to exercise the redemption on any interest payment date after the 19 November 2019. There is no step-up in the coupon rate if the Company does not exercise the redemption option.

vi. The 11.365% fixed rate notes may be redeemed in full at the option of the Company on 4 September 2020. Interest is paid semi-annually in arrears on 4 March and 4 September. The Company has the option to exercise the redemption on any interest payment date after 4 September 2020. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

vii. The 11.40% fixed rate notes may be redeemed in full at the option of the Company on 29 September 2020. Interest is paid semi-annually in arrears on 29 March and 29 September. The Company has an option to exercise the redemption on any interest payment date after 29 September 2020. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

viii. The 11.81% fixed rate notes may be redeemed in full at the option of the Company on 3 September 2022. Interest is paid semi-annually in arrears on 3 March and 3 September. The Company has the option to exercise the redemption on any interest payment date after 3 September 2022. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

ix. The three-month JIBAR plus 2.10% floating rate notes may be redeemed in full at the option of the Company on 3 May 2017. Interest is paid quarterly on 3 August, 3 November, 3 February and 3 May of each year, provided that the last date for payment shall be 3 May 2017. If the Company does not exercise the redemption option, then the coupon rate payable after 3 May 2017 reprices from three-month JIBAR plus 2.10% to three-month JIBAR plus 4.10%.

x. The three-month JIBAR plus 1.95% floating rate notes may be redeemed in full at the option of the Company on 21 November 2017. Interest is paid quarterly in arrears on 21 February, 21 May, 21 August and 21 November of each year. The Company has an option to exercise the redemption on any interest payment date after 21 November 2017. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

xi. The three-month JIBAR plus 2.05% floating rate notes may be redeemed in full at the option of the Company on 21 November 2018. Interest is paid quarterly on 21 February, 21 May, 21 August and 21 November of each year. The Company has an option to exercise the redemption on any interest payment date after 21 November 2018. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

xii. The three-month JIBAR plus 3.30% floating rate notes may be redeemed in full at the option of the Company on 19 November 2019. Interest is paid quarterly in arrears on 19 February, 19 May, 19 August and 19 November. The Company has the option to exercise the redemption on any interest payment date after 19 November 2019. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

xiii. The three-month JIBAR plus 3.50% floating rate notes may be redeemed in full at the option of the Company on 5 February 2020. Interest is paid quarterly in arrears on 5 February, 5 May, 5 August and 5 November. The Company has the option to exercise the redemption on any interest payment date after 5 February 2020. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

xiv. The three-month JIBAR plus 3.50% floating rate notes may be redeemed in full at the option of the Company on 4 September 2020. Interest is paid quarterly in arrears on 4 March, 4 June, 4 September and 4 December. The Company has the option to exercise the redemption on any interest payment date after 4 September 2020. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

xv. The three-month JIBAR plus 3.60% floating rate notes may be redeemed in full at the option of the Company on 3 September 2022. Interest is paid quarterly in arrears on 3 March, 3 June, 3 September and 3 December. The Company has the option to exercise the redemption on any interest payment date after 3 September 2022. If the Company does not exercise the redemption option, there is no step-up in the coupon rate.

xvi. The 5.50% CPI linked notes may be redeemed in full at the option of the Company on 7 December 2023. Interest is paid semi-annually in arrears on 7 June and 7 December of each year, provided that the last day of payment shall be 7 December 2023. If the Company does not exercise the redemption option, a coupon step up of 150 basis points (“bps”) shall apply.

Notes i, ii, iv, ix, x, xi, xvi are listed on the Bond Exchange of South Africa (“BESA”).

In accordance with its MOI, the borrowing powers of the Company are unlimited.
### Share capital and premium

#### 23.1 Ordinary share capital

<table>
<thead>
<tr>
<th>Authorized</th>
<th>Company</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>320 000 000 (2014: 320 000 000) ordinary shares of R1.00 each</td>
<td>320</td>
<td>320</td>
<td></td>
</tr>
<tr>
<td>250 000 000 (2014: 250 000 000) ‘A’ ordinary shares of R0.01 each</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Total issued capital</strong></td>
<td><strong>323</strong></td>
<td><strong>323</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issued</th>
<th>Company</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>302 609 359 (2014: 302 609 359) ordinary shares of R1.00 each</td>
<td>303</td>
<td>303</td>
<td></td>
</tr>
<tr>
<td>110 188 222 (2014: 93 541 890) ‘A’ ordinary shares of R0.01 each</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Total issued capital</strong></td>
<td><strong>304</strong></td>
<td><strong>303</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Company</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share premium</td>
<td>21 455</td>
<td>16 465</td>
<td></td>
</tr>
<tr>
<td><strong>Total issued capital</strong></td>
<td><strong>21 759</strong></td>
<td><strong>16 768</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Authorised shares**

There were no changes to authorised share capital during the current reporting period.

**Unissued shares**

The unissued shares are under the control of the directors, subject to a limit of 5% of issued ordinary share capital as at the reporting date, in terms of a general authority to allot and issue them on such terms and conditions and at such times as they deem fit. This authority expires at the forthcoming Barclays Africa Group Limited AGM.

**Shares issued during the year under review**

An additional 16 646 332 ‘A’ ordinary shares were issued during the current reporting period.

**Shares issued during the prior year**

An additional 13 034 033 ‘A’ ordinary shares were issued during the prior reporting period.

All shares in issue by the Company were paid in full.
23. Share capital and premium (continued)

23.2 Preference share capital and premium

**Authorised**
- 30 000 000 (2014: 30 000 000) non-cumulative, non-redeemable listed preference shares of R0,01 each

**Issued**
- 4 944 839 (2014: 4 944 839) non-cumulative, non-redeemable listed preference shares of R0,01 each

**Total issued capital**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Share premium</td>
<td>4 643</td>
<td>4 643</td>
</tr>
</tbody>
</table>

The preference shares have a dividend rate of 70% of the prime overdraft lending rate. The holders of such shares shall not be entitled to voting rights unless a declared preference dividend remains in arrears and unpaid after six months from the due date thereof, or a resolution is proposed by the Company which directly affects the rights attached to the preference shares or the interest of the holders thereof.

24. Other reserves

24.1 Available-for-sale reserve

The available-for-sale reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the instrument is derecognised or impaired, in which case the cumulative amount recognised in other comprehensive income is released to profit or loss.

24.2 Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

24.3 Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

24.4 Capital reserve

The capital reserve arose on the amalgamation of the founding banks of the Company.

24.5 Share-based payment reserve

The reserve comprises the credit to equity for equity-settled share-based payment arrangements in terms of IFRS 2. The standard requires that the expense be charged to profit or loss, while a credit needs to be raised against equity over the vesting period (i.e. the period between the allocation date and the date on which employees will become entitled to their options). When options are exercised, the reserve related to the specific options is transferred to share capital and/or share premium. If the options lapse after vesting, the related reserve is transferred to retained earnings.
## 25. Interest and similar income

**Interest and similar income is earned from:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Fair value adjustments on hedging instruments</td>
<td>2,365</td>
<td>511</td>
</tr>
<tr>
<td>Investment securities</td>
<td>3,745</td>
<td>5,151</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>676</td>
<td>871</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>51,490</td>
<td>46,376</td>
</tr>
<tr>
<td>Corporate overdrafts and specialised finance loans</td>
<td>442</td>
<td>451</td>
</tr>
<tr>
<td>Credit cards</td>
<td>5,106</td>
<td>4,825</td>
</tr>
<tr>
<td>Foreign currency loans</td>
<td>614</td>
<td>409</td>
</tr>
<tr>
<td>Installment credit agreements</td>
<td>7,115</td>
<td>6,486</td>
</tr>
<tr>
<td>Interest on impaired financial assets</td>
<td>721</td>
<td>639</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>1,135</td>
<td>865</td>
</tr>
<tr>
<td>Microloans</td>
<td>617</td>
<td>500</td>
</tr>
<tr>
<td>Mortgages</td>
<td>21,684</td>
<td>20,912</td>
</tr>
<tr>
<td>Other advances</td>
<td>713</td>
<td>22</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>3,109</td>
<td>2,884</td>
</tr>
<tr>
<td>Overnight finance</td>
<td>1,095</td>
<td>830</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>3,655</td>
<td>3,409</td>
</tr>
<tr>
<td>Preference shares</td>
<td>709</td>
<td>538</td>
</tr>
<tr>
<td>Wholesale overdrafts</td>
<td>4,775</td>
<td>3,606</td>
</tr>
<tr>
<td>Other interest</td>
<td>2,019</td>
<td>1,427</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60,296</strong></td>
<td><strong>54,341</strong></td>
</tr>
</tbody>
</table>

**Classification of interest and similar income**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value adjustments on amortised cost and available-for-sale financial assets held in a fair value hedging relationship</td>
<td>(1,591)</td>
<td>751</td>
</tr>
<tr>
<td>Investment securities</td>
<td>(1,523)</td>
<td>370</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>(68)</td>
<td>381</td>
</tr>
<tr>
<td>Fair value adjustments on hedging instruments</td>
<td>2,630</td>
<td>926</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>1,111</td>
<td>1,494</td>
</tr>
<tr>
<td>Economic hedges</td>
<td>75</td>
<td>4</td>
</tr>
<tr>
<td>Fair value hedges</td>
<td>1,444</td>
<td>(572)</td>
</tr>
<tr>
<td>Interest on financial assets held at amortised cost</td>
<td>57,036</td>
<td>50,192</td>
</tr>
<tr>
<td>Interest on financial assets held as available-for-sale</td>
<td>736</td>
<td>1,474</td>
</tr>
<tr>
<td>Interest on financial assets designated at fair value through profit or loss</td>
<td>1,485</td>
<td>998</td>
</tr>
<tr>
<td>Fair value hedging instruments</td>
<td>(265)</td>
<td>(415)</td>
</tr>
<tr>
<td>Investment securities</td>
<td>1,623</td>
<td>1,135</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>127</td>
<td>278</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60,296</strong></td>
<td><strong>54,341</strong></td>
</tr>
</tbody>
</table>

Interest income on “other advances” to customers includes items such as interest on factored debtors’ books.

Other interest and similar income includes items such as interest income on pension fund assets and “gains and losses from banking and trading activities”.

Comparatives on interest earned from money markets amounting to R47m, were reclassified from cash, cash balances and balances with central banks to investment securities in order to align with the classification of these assets.
### 26. Interest expense and similar charges

**Interest expense and similar charges are paid on:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowed funds</td>
<td>880</td>
<td>1,114</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>7,347</td>
<td>6,550</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>23,609</td>
<td>21,418</td>
</tr>
<tr>
<td>Call deposits</td>
<td>3,737</td>
<td>3,591</td>
</tr>
<tr>
<td>Cheque account deposits</td>
<td>3,861</td>
<td>3,251</td>
</tr>
<tr>
<td>Credit card deposits</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>7,514</td>
<td>7,503</td>
</tr>
<tr>
<td>Foreign currency deposits</td>
<td>37</td>
<td>252</td>
</tr>
<tr>
<td>Notice deposits</td>
<td>3,194</td>
<td>3,010</td>
</tr>
<tr>
<td>Other</td>
<td>500</td>
<td>220</td>
</tr>
<tr>
<td>Savings and transmission deposits</td>
<td>4,758</td>
<td>3,583</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>1,292</td>
<td>1,384</td>
</tr>
<tr>
<td>Call deposits</td>
<td>466</td>
<td>394</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>815</td>
<td>987</td>
</tr>
<tr>
<td>Foreign currency deposit</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Fair value adjustments on hedging instruments</td>
<td>573</td>
<td>(457)</td>
</tr>
<tr>
<td>Interest incurred on finance leases</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>(407)</td>
<td>(1,209)</td>
</tr>
</tbody>
</table>

**Total** | **33,294** | **28,800** |

**Classification of interest and similar charges**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value adjustments on amortised cost financial liabilities held in a fair value hedging relationship</td>
<td>(582)</td>
<td>(258)</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>153</td>
<td>(99)</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>(735)</td>
<td>(159)</td>
</tr>
<tr>
<td>Fair value adjustments on hedging instruments</td>
<td>717</td>
<td>(214)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(135)</td>
<td>(72)</td>
</tr>
<tr>
<td>Economic hedges</td>
<td>10</td>
<td>(49)</td>
</tr>
<tr>
<td>Fair value hedges</td>
<td>842</td>
<td>(93)</td>
</tr>
<tr>
<td>Interest on financial liabilities designated at fair value through profit or loss</td>
<td>(142)</td>
<td>(182)</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>—</td>
<td>46</td>
</tr>
<tr>
<td>Fair value hedging instruments</td>
<td>(144)</td>
<td>(243)</td>
</tr>
<tr>
<td>Interest on financial liabilities held at amortised cost</td>
<td>33,301</td>
<td>29,454</td>
</tr>
</tbody>
</table>

**Total** | **33,294** | **28,800** |

Other interest and similar charges include items such as interest expense on “gains and losses from banking and trading activities”.
27. Net fee and commission income

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset management and other related fees</td>
<td>58</td>
<td>85</td>
</tr>
<tr>
<td>Consulting and administration fees</td>
<td>145</td>
<td>122</td>
</tr>
<tr>
<td>Credit-related fees and commissions</td>
<td>14,314</td>
<td>13,149</td>
</tr>
<tr>
<td>Cheque accounts</td>
<td>4,110</td>
<td>3,818</td>
</tr>
<tr>
<td>Credit cards</td>
<td>1,758</td>
<td>1,275</td>
</tr>
<tr>
<td>Electronic banking</td>
<td>4,707</td>
<td>4,300</td>
</tr>
<tr>
<td>Other</td>
<td>1,448</td>
<td>1,469</td>
</tr>
<tr>
<td>Savings accounts</td>
<td>2,291</td>
<td>2,287</td>
</tr>
<tr>
<td>Insurance commission received</td>
<td>524</td>
<td>502</td>
</tr>
<tr>
<td>Investment banking fees</td>
<td>333</td>
<td>312</td>
</tr>
<tr>
<td>Merchant income</td>
<td>1,451</td>
<td>1,623</td>
</tr>
<tr>
<td>Other</td>
<td>93</td>
<td>40</td>
</tr>
<tr>
<td>Trust and other fiduciary service fees</td>
<td>48</td>
<td>64</td>
</tr>
<tr>
<td>Portfolio and other management fees</td>
<td>35</td>
<td>49</td>
</tr>
<tr>
<td>Trust and estate income</td>
<td>13</td>
<td>15</td>
</tr>
</tbody>
</table>

Fee and commission income

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee and commission income</td>
<td>16,966</td>
<td>15,897</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>(1,294)</td>
<td>(1,188)</td>
</tr>
<tr>
<td>Cheque processing fees</td>
<td>(127)</td>
<td>(131)</td>
</tr>
<tr>
<td>Other</td>
<td>(1,043)</td>
<td>(837)</td>
</tr>
<tr>
<td>Transaction-based legal fees</td>
<td>—</td>
<td>(76)</td>
</tr>
<tr>
<td>Valuation fees</td>
<td>(124)</td>
<td>(144)</td>
</tr>
</tbody>
</table>

15,672                                    14,709

27.1 Included above are net fees and commissions linked to financial instruments

not at fair value

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheque accounts</td>
<td>4,110</td>
<td>3,818</td>
</tr>
<tr>
<td>Credit cards</td>
<td>1,758</td>
<td>1,275</td>
</tr>
<tr>
<td>Electronic banking</td>
<td>4,707</td>
<td>4,300</td>
</tr>
<tr>
<td>Other</td>
<td>1,448</td>
<td>827</td>
</tr>
<tr>
<td>Savings accounts</td>
<td>2,291</td>
<td>2,287</td>
</tr>
</tbody>
</table>

Fee and commission income

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee and commission income</td>
<td>14,314</td>
<td>12,507</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>(1,031)</td>
<td>(991)</td>
</tr>
</tbody>
</table>

13,283                                    11,516

The Company provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involves the Company making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Some of these services involve the Company accepting targets for benchmark levels of returns for the assets under the Company's care.

Credit cards include acquiring and issuing fees.

Other credit related fee and commission income includes service and credit-related fees and commissions on mortgage loans and foreign exchange transactions.

The Bank has reassessed the classification of net fees and commissions linked to financial instruments at fair value. Electronic banking income has now been included for both periods presented.
## 28. Gains and losses from banking and trading activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net losses investments</td>
<td>(276)</td>
<td>(228)</td>
</tr>
<tr>
<td>Debt instruments designated at fair value through profit or loss</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>Equity instruments designated at fair value through profit or loss</td>
<td>(84)</td>
<td>(191)</td>
</tr>
<tr>
<td>Available-for-sale unwind from reserves</td>
<td>(210)</td>
<td>(44)</td>
</tr>
<tr>
<td>Net trading result</td>
<td>2 343</td>
<td>2 817</td>
</tr>
<tr>
<td>Net trading income excluding the impact of hedge accounting</td>
<td>2 493</td>
<td>3 064</td>
</tr>
<tr>
<td>Ineffective portion of hedges</td>
<td>(150)</td>
<td>(247)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(188)</td>
<td>(239)</td>
</tr>
<tr>
<td>Fair value hedges</td>
<td>38</td>
<td>(8)</td>
</tr>
<tr>
<td>Other gains</td>
<td>30</td>
<td>65</td>
</tr>
<tr>
<td>Profit on sale of subsidiaries</td>
<td>—</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 097</td>
<td>2 669</td>
</tr>
</tbody>
</table>

### Classification of net trading results and other gains on financial instruments

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net trading income excluding the impact of hedge accounting</td>
<td>2 481</td>
<td>3 064</td>
</tr>
<tr>
<td>Gains/(losses) on financial instruments designated at fair value through profit or loss</td>
<td>7 362</td>
<td>(1 111)</td>
</tr>
<tr>
<td>Net losses on financial assets designated at fair value through profit or loss</td>
<td>(1 035)</td>
<td>(329)</td>
</tr>
<tr>
<td>Net gains/(losses) on financial liabilities designated at fair value through profit or loss</td>
<td>8 397</td>
<td>(782)</td>
</tr>
<tr>
<td>(Losses)/gains on financial instruments held for trading</td>
<td>(4 881)</td>
<td>4 175</td>
</tr>
<tr>
<td>Other gains</td>
<td>30</td>
<td>65</td>
</tr>
<tr>
<td>Gains on financial instruments designated at fair value through profit or loss</td>
<td>16</td>
<td>—</td>
</tr>
<tr>
<td>Gains on financial instruments held for trading</td>
<td>14</td>
<td>65</td>
</tr>
</tbody>
</table>

## 29. Gains and losses from investment activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other gains</td>
<td>768</td>
<td>122</td>
</tr>
</tbody>
</table>

## 30. Other operating income

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange differences, including recycle from other comprehensive income</td>
<td>313</td>
<td>410</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Profit on sale of repossessed properties</td>
<td>12</td>
<td>37</td>
</tr>
<tr>
<td>Gross sales</td>
<td>37</td>
<td>102</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(25)</td>
<td>(65)</td>
</tr>
<tr>
<td>Rental income</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>Sundry income</td>
<td>230</td>
<td>301</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>590</td>
<td>789</td>
</tr>
</tbody>
</table>

Sundry income includes service fees levied on assets finance as well as the profit on disposal of sundry non-core business activities.
31. **Operating expenses**

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration fees</td>
<td>826</td>
<td>834</td>
</tr>
<tr>
<td>Amortisation of intangible assets (refer to note 14)</td>
<td>220</td>
<td>226</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td>194</td>
<td>191</td>
</tr>
<tr>
<td>Audit fees – current reporting period</td>
<td>130</td>
<td>122</td>
</tr>
<tr>
<td>Audit fees – under provision</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td>47</td>
<td>46</td>
</tr>
<tr>
<td>Other services</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Cash transportation</td>
<td>756</td>
<td>698</td>
</tr>
<tr>
<td>Depreciation (refer to note 13)</td>
<td>1 150</td>
<td>1 170</td>
</tr>
<tr>
<td>Equipment costs</td>
<td>194</td>
<td>167</td>
</tr>
<tr>
<td>Rentals</td>
<td>56</td>
<td>62</td>
</tr>
<tr>
<td>Maintenance</td>
<td>138</td>
<td>105</td>
</tr>
<tr>
<td>Information technology</td>
<td>1 919</td>
<td>1 839</td>
</tr>
<tr>
<td>Marketing costs</td>
<td>1 447</td>
<td>1 359</td>
</tr>
<tr>
<td>Operating lease expenses on properties</td>
<td>1 261</td>
<td>1 022</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>339</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>255</td>
<td>272</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1 520</td>
<td>1 268</td>
</tr>
<tr>
<td>Property costs</td>
<td>1 066</td>
<td>1 357</td>
</tr>
<tr>
<td>Staff costs</td>
<td>14 667</td>
<td>13 752</td>
</tr>
<tr>
<td>Bonuses</td>
<td>1 343</td>
<td>1 270</td>
</tr>
<tr>
<td>Other</td>
<td>476</td>
<td>460</td>
</tr>
<tr>
<td>Salaries and current service costs on post-retirement benefits</td>
<td>12 053</td>
<td>11 121</td>
</tr>
<tr>
<td>Share-based payments (refer to note 49 of the Bank’s financial statements)</td>
<td>549</td>
<td>656</td>
</tr>
<tr>
<td>Training costs</td>
<td>246</td>
<td>245</td>
</tr>
<tr>
<td>Telephone and postage</td>
<td>701</td>
<td>649</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>26 183</td>
<td>25 143</td>
</tr>
</tbody>
</table>

Audit-related fees include fees paid for assurance reports performed on behalf of various regulatory bodies.

Information technology and professional fees include research and development costs totalling **R234m** (2014: R299m).

Other operating expenses include fraud losses as well as travel and entertainment costs.

Other staff costs include recruitment costs, membership fees to professional bodies, staff parking, redundancy fees, study assistance, staff relocation and refreshment costs.
### 32. Other impairments

(Reversal)/impairment raised on financial instruments

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (Rm)</th>
<th>2014 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other impairment raised</td>
<td>(43)</td>
<td>17</td>
</tr>
<tr>
<td>Intangible assets (refer to note 14)</td>
<td>—</td>
<td>127</td>
</tr>
<tr>
<td>Investments in associates and joint ventures (refer to note 11)</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td>Property and equipment (refer to note 13)</td>
<td>—</td>
<td>251</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>(5)</td>
<td>(22)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(48)</td>
<td>375</td>
</tr>
</tbody>
</table>

### 33. Indirect taxation

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (Rm)</th>
<th>2014 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training levy</td>
<td>118</td>
<td>108</td>
</tr>
<tr>
<td>VAT net of input credits</td>
<td>924</td>
<td>660</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 042</td>
<td>768</td>
</tr>
</tbody>
</table>

### 34. Taxation expense

#### Current

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (Rm)</th>
<th>2014 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign tax</td>
<td>60</td>
<td>38</td>
</tr>
<tr>
<td>South African current tax</td>
<td>3 353</td>
<td>3 516</td>
</tr>
<tr>
<td>South African current tax – previous reporting period</td>
<td>61</td>
<td>(152)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 474</td>
<td>3 402</td>
</tr>
</tbody>
</table>

#### Deferred

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (Rm)</th>
<th>2014 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax (refer to note 15)</td>
<td>154</td>
<td>123</td>
</tr>
<tr>
<td>Accelerated wear and tear</td>
<td>152</td>
<td>(19)</td>
</tr>
<tr>
<td>Allowances for loan losses</td>
<td>(18)</td>
<td>(107)</td>
</tr>
<tr>
<td>Fair value adjustments</td>
<td>(69)</td>
<td>517</td>
</tr>
<tr>
<td>Other provisions</td>
<td>(37)</td>
<td>(177)</td>
</tr>
<tr>
<td>Other temporary differences</td>
<td>126</td>
<td>(91)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 628</td>
<td>3 525</td>
</tr>
</tbody>
</table>

#### Reconciliation between operating profit before income tax and the taxation expense

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 (Rm)</th>
<th>2014 (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before income tax</td>
<td>13 853</td>
<td>12 447</td>
</tr>
<tr>
<td>Tax calculated at a tax rate of 28%</td>
<td>3 879</td>
<td>3 485</td>
</tr>
<tr>
<td>Effect of different tax rates in other countries</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>195</td>
<td>195</td>
</tr>
<tr>
<td>Income not subject to tax</td>
<td>(564)</td>
<td>(360)</td>
</tr>
<tr>
<td>Non-taxable portion of capital gains</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Other</td>
<td>79</td>
<td>191</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3 628</td>
<td>3 525</td>
</tr>
</tbody>
</table>
### 35. Earnings per share

**Basic and diluted earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holder, obtained from profit or loss, by the weighted average number of ordinary shares in issue during the reporting period.

Diluted earnings are determined by adjusting the profit or loss attributable to the ordinary equity holder and the weighted average number of ordinary shares in issue for the effects of all dilutive potential shares. There are currently no instruments in issue that would have a dilutive impact.

#### Basic and diluted earnings attributable to the ordinary equity holder of the Company

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares in issue (millions)</td>
<td>401.5</td>
<td>386.9</td>
</tr>
<tr>
<td>Issued shares at the beginning of the reporting period</td>
<td>396.2</td>
<td>383.1</td>
</tr>
<tr>
<td>Shares issued during the reporting period</td>
<td>5.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Basic earnings per ordinary share/diluted earnings per ordinary share (cents)</td>
<td>2 466.7</td>
<td>2 272.2</td>
</tr>
</tbody>
</table>

### 36. Headline earnings

Headline earnings is determined as follows:

Profit attributable to the ordinary equity holders of the Group: 9 904

Total headline earnings adjustment:

<table>
<thead>
<tr>
<th>Basis</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 5 – Gains on disposal of non-current assets held for sale</td>
<td>—</td>
<td>(105)</td>
</tr>
<tr>
<td>IAS 16 – Profit on disposal of property and equipment (refer to note 30)</td>
<td>(17)</td>
<td>(12)</td>
</tr>
<tr>
<td>IAS 36 – Impairment of investments in subsidiaries (refer to note 32)</td>
<td>(5)</td>
<td>(4)</td>
</tr>
<tr>
<td>IAS 21 – Recycled foreign currency translation reserve</td>
<td>(267)</td>
<td>(267)</td>
</tr>
<tr>
<td>IAS 27 – Profit on disposal of subsidiaries</td>
<td>—</td>
<td>(15)</td>
</tr>
<tr>
<td>IAS 28 – Impairment of investments in associates and joint ventures (refer to note 32)</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td>IAS 36 – Impairment of property and equipment (refer to note 32)</td>
<td>—</td>
<td>251</td>
</tr>
<tr>
<td>IAS 36 and IAS 38 - Loss on disposal and impairment of intangible assets (refer to notes 30 and 32)</td>
<td>—</td>
<td>127</td>
</tr>
<tr>
<td>IAS 39 – Release of available-for-sale reserves (refer to note 28)</td>
<td>(210)</td>
<td>151</td>
</tr>
<tr>
<td>Headline earnings/diluted headline earnings</td>
<td>—</td>
<td>9 772</td>
</tr>
<tr>
<td>Headline earnings per ordinary share/diluted headline earnings per ordinary share (cents)</td>
<td>2 433.9</td>
<td>2 168.3</td>
</tr>
<tr>
<td>Diluted headline earnings per ordinary share (cents)</td>
<td>2 433.9</td>
<td>2 168.3</td>
</tr>
</tbody>
</table>

The net amount is reflected after tax.
37. Dividends per share

Dividends declared to ordinary equity holders

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim dividend</td>
<td>2 500</td>
<td>2 299</td>
</tr>
<tr>
<td>Special dividend</td>
<td>5 000</td>
<td>4 446</td>
</tr>
<tr>
<td>Final dividend</td>
<td>2 000</td>
<td>3 616</td>
</tr>
<tr>
<td>Total</td>
<td>9 500</td>
<td>10 361</td>
</tr>
</tbody>
</table>

Dividends declared to preference equity holders

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim dividend</td>
<td>162</td>
<td>158</td>
</tr>
<tr>
<td>Final dividend</td>
<td>168</td>
<td>159</td>
</tr>
<tr>
<td>Total</td>
<td>330</td>
<td>317</td>
</tr>
</tbody>
</table>

Dividends paid to ordinary equity holders

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final dividend</td>
<td>3 616</td>
<td>2 890</td>
</tr>
<tr>
<td>Interim dividend</td>
<td>2 500</td>
<td>2 299</td>
</tr>
<tr>
<td>Special dividend</td>
<td>5 000</td>
<td>4 446</td>
</tr>
<tr>
<td>Total</td>
<td>11 116</td>
<td>9 635</td>
</tr>
</tbody>
</table>

Dividends paid to preference equity holders

<table>
<thead>
<tr>
<th></th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final dividend</td>
<td>159</td>
<td>147</td>
</tr>
<tr>
<td>Interim dividend</td>
<td>162</td>
<td>158</td>
</tr>
<tr>
<td>Total</td>
<td>321</td>
<td>305</td>
</tr>
</tbody>
</table>

38. Transfer of financial assets

38.1 Transfer of financial assets involving structured entities

In the ordinary course of its normal banking activities the Company transfers financial assets to SE’s, either legally (where legal rights to the cash flows from the asset are transferred to the counterparty) or beneficially (where the Company retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition of the assets or no derecognition of the assets.

38.2 Transfer of financial assets that does not result in derecognition

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount of transferred assets Rm</th>
<th>Carrying amount of associated liabilities Rm</th>
<th>Fair value of transferred assets Rm</th>
<th>Fair value of associated liabilities Rm</th>
<th>Net fair value Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>14 802</td>
<td>—</td>
<td>14 802</td>
<td>—</td>
<td>14 802</td>
</tr>
</tbody>
</table>

The Company has set up an insolvency remote structure with self-securitised pools of high-quality residential mortgages as collateral for the Committed Liquidity Facility (“CLF”). The Company acquired an economic interest in the CLF through 100% of the notes issued by the CLF and provided 100% of the sub-loan financing. This means that the Company continues to have exposure to variability in the present value of the future net cash flows from each loan asset legally sold. Consequently, the Company retains substantially all the risks and rewards associated with each loan asset legally sold to the CLF, which remain recognised as loans and advances to customers in the Company.
39. Related parties
Refer to note 42 of the Bank's financial statements for the full disclosure of related party transactions. In addition to this disclosure, the following related party transactions and balances exist for Absa Bank Limited.

39.1 Balance and transactions with the parent company

<table>
<thead>
<tr>
<th>Balances</th>
<th>Company</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from banks</td>
<td></td>
<td>(3 508)</td>
<td>(812)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transactions</th>
<th>Company</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net fee and commission income</td>
<td></td>
<td>—</td>
<td>(1)</td>
</tr>
<tr>
<td>Gains and losses from banking and trading activities</td>
<td></td>
<td>—</td>
<td>53</td>
</tr>
<tr>
<td>Dividends paid</td>
<td></td>
<td>11 116</td>
<td>9 635</td>
</tr>
</tbody>
</table>

39.2 Balance and transactions with subsidiaries
The following are balances with and transactions entered into with, subsidiaries:

<table>
<thead>
<tr>
<th>Balances</th>
<th>Company</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to Group companies</td>
<td></td>
<td>2 059</td>
<td>369</td>
</tr>
<tr>
<td>Subsidiary shares</td>
<td></td>
<td>687</td>
<td>430</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transactions</th>
<th>Company</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and similar income</td>
<td></td>
<td>(68)</td>
<td>(45)</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td></td>
<td>(2)</td>
<td>—</td>
</tr>
<tr>
<td>Gains and losses from banking and trading activities</td>
<td></td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Operating expenditure/(recovered expenses)</td>
<td></td>
<td>39</td>
<td>(9)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td></td>
<td>764</td>
<td>—</td>
</tr>
</tbody>
</table>

Various terms and conditions are agreed upon, taking into account transfer pricing and relevant tax requirements.

39.3 Balances and transactions with fellow subsidiaries

<table>
<thead>
<tr>
<th>Balances</th>
<th>Company</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td></td>
<td>1</td>
<td>(0)</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td></td>
<td>260</td>
<td>179</td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td></td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>Loans to Absa Group companies</td>
<td></td>
<td>23 850</td>
<td>17 740</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td></td>
<td>(2 029)</td>
<td>(3 647)</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td></td>
<td>(5 125)</td>
<td>(506)</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td></td>
<td>0</td>
<td>(54)</td>
</tr>
<tr>
<td>Trading portfolio liabilities</td>
<td></td>
<td>(268)</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transactions</th>
<th>Company</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and similar income</td>
<td></td>
<td>(1 268)</td>
<td>(1 359)</td>
</tr>
<tr>
<td>Interest expense and similar charges</td>
<td></td>
<td>584</td>
<td>1 205</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td></td>
<td>(491)</td>
<td>(425)</td>
</tr>
<tr>
<td>Gains and losses from banking and trading activities</td>
<td></td>
<td>(1 653)</td>
<td>(2 673)</td>
</tr>
<tr>
<td>Gains and losses from investment activities</td>
<td></td>
<td>(1)</td>
<td>0</td>
</tr>
<tr>
<td>Other operating income</td>
<td></td>
<td>(20)</td>
<td>(23)</td>
</tr>
<tr>
<td>Recovered expenses</td>
<td></td>
<td>(524)</td>
<td>(528)</td>
</tr>
</tbody>
</table>

40. Assets under management and administration

<table>
<thead>
<tr>
<th>Company</th>
<th>2015 Rm</th>
<th>2014 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio management</td>
<td></td>
<td>3 474</td>
</tr>
<tr>
<td>Unit trusts</td>
<td></td>
<td>2 455</td>
</tr>
</tbody>
</table>

| | | |
| | | |
### 41. Financial guarantee contracts

<table>
<thead>
<tr>
<th></th>
<th>Company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Financial guarantee contracts</td>
<td>758</td>
<td>818</td>
</tr>
</tbody>
</table>

Financial guarantee contracts represent contracts where the Company undertakes to make specified payments to a counterparty, should the counterparty suffer a loss as a result of a specified debtor failing to make payment when due in accordance with the terms of a debt instrument. This amount represents the maximum off-statement of financial position exposure which is not necessarily the measurement recognised in the statement of financial position in accordance with International Financial Reporting Standards (“IFRS”).

### 42. Commitments

#### Authorised capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>Company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Contracted but not provided for</td>
<td>591</td>
<td>576</td>
</tr>
</tbody>
</table>

The Company has capital commitments in respect of computer equipment and property development. Management is confident that future net revenues and funding will be sufficient to cover these commitments.

#### Operating lease payments due

<table>
<thead>
<tr>
<th></th>
<th>Company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>No later than one year</td>
<td>758</td>
<td>856</td>
</tr>
<tr>
<td>Later than one year and no later than five years</td>
<td>1 742</td>
<td>1 631</td>
</tr>
<tr>
<td>Later than five years</td>
<td>956</td>
<td>709</td>
</tr>
</tbody>
</table>

The operating lease commitments comprise a number of separate operating leases in relation to property and equipment, none of which is individually significant to the Company. Leases are negotiated for an average term of three to five years and rentals are renegotiated annually.

#### Sponsorship payments due

<table>
<thead>
<tr>
<th></th>
<th>Company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>No later than one year</td>
<td>147</td>
<td>282</td>
</tr>
<tr>
<td>Later than one year and no later than five years</td>
<td>177</td>
<td>307</td>
</tr>
</tbody>
</table>

The Company has sponsorship commitments in respect of sports, arts and culture sponsorships.
### 43. Contingencies

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Irrevocable debt facilities</td>
<td>31 266</td>
<td>28 076</td>
</tr>
<tr>
<td>Letters of credit</td>
<td>138 807</td>
<td>114 614</td>
</tr>
<tr>
<td>Other</td>
<td>6 319</td>
<td>3 756</td>
</tr>
<tr>
<td></td>
<td>21</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td><strong>176 413</strong></td>
<td><strong>146 453</strong></td>
</tr>
</tbody>
</table>

Guarantees include performance and payment guarantee contracts.

Irrevocable facilities are commitments to extend credits where the Company does not have the right to immediately terminate the facilities by written notice. Commitments generally have fixed expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Refer to note 47 in the Bank’s financial statements for legal proceedings, regulatory matters and income taxes.

### 44. Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>8 608</td>
<td>8 778</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>5 768</td>
<td>1 236</td>
</tr>
<tr>
<td></td>
<td><strong>14 376</strong></td>
<td><strong>10 014</strong></td>
</tr>
</tbody>
</table>

**Notes:**

1. Includes coins and bank notes.
2. Includes call advances, which are used as working capital for the Bank.
### 45. Consolidated statement of financial position summary – IAS 39 classification

#### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Designated at fair value</th>
<th>Held for trading</th>
<th>Hedging instruments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Investment securities</td>
<td>19 030</td>
<td></td>
<td></td>
<td>19 030</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>24 328</td>
<td></td>
<td></td>
<td>24 328</td>
</tr>
<tr>
<td>Trading portfolio assets</td>
<td>—</td>
<td>114 450</td>
<td></td>
<td>114 450</td>
</tr>
<tr>
<td>Hedging portfolio assets</td>
<td>—</td>
<td></td>
<td>2 216</td>
<td>2 216</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>17</td>
<td></td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>28 837</td>
<td></td>
<td></td>
<td>28 837</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Assets outside the scope of IAS 39</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>72 213</td>
<td>114 450</td>
<td>2 216</td>
<td>188 879</td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Designated at fair value</th>
<th>Held for trading</th>
<th>Hedging instruments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from banks</td>
<td>16 632</td>
<td></td>
<td></td>
<td>16 632</td>
</tr>
<tr>
<td>Trading portfolio liabilities</td>
<td>—</td>
<td>87 567</td>
<td></td>
<td>87 567</td>
</tr>
<tr>
<td>Hedging portfolio liabilities³</td>
<td>—</td>
<td></td>
<td>4 531</td>
<td>4 531</td>
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<tr>
<td>Other financial liabilities</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>17 811</td>
<td></td>
<td></td>
<td>17 811</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>6 047</td>
<td></td>
<td></td>
<td>6 047</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Liabilities outside the scope of IAS 39</td>
<td>—</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40 490</td>
<td>87 567</td>
<td>4 531</td>
<td>132 588</td>
</tr>
</tbody>
</table>

### Notes

1. Includes non-financial assets and liabilities and financial instruments outside the scope of IAS 39.
2. Includes derivative assets to the amount of R192m (31 December 2014: R116m) and R2 024m (31 December 2014: R1 219m) that have been designated as cash flow and fair value hedging instruments respectively.
3. Includes derivative liabilities to the amount of R2 827m (31 December 2014: R474m) and R1 704m (31 December 2014: R2 103m) that have been designated as cash flow and fair value hedging instruments respectively.
4. Includes items designated as hedged items in fair value hedging relationships.
## Notes to the Company financial statements
for the reporting period ended 31 December 2015

### Available-for-sale

<table>
<thead>
<tr>
<th>Designated as available-for-sale</th>
<th>Hedged items</th>
<th>Total</th>
<th>Designated at amortised cost</th>
<th>Hedged items</th>
<th>Total</th>
<th>Assets/liabilities outside the scope of IAS 39</th>
<th>Total assets and liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm</td>
<td>Rm</td>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>15 069</td>
<td>38 280</td>
<td>53 349</td>
<td>26 067</td>
<td></td>
<td>26 067</td>
<td>72 379</td>
<td></td>
</tr>
<tr>
<td>15 069</td>
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<td>53 349</td>
<td>17 264</td>
<td></td>
<td>17 264</td>
<td>2 146</td>
<td></td>
</tr>
<tr>
<td>15 069</td>
<td>38 280</td>
<td>53 349</td>
<td>569 361</td>
<td>107</td>
<td>569 468</td>
<td>598 305</td>
<td></td>
</tr>
<tr>
<td>15 069</td>
<td>38 280</td>
<td>53 349</td>
<td>25 909</td>
<td></td>
<td>25 909</td>
<td>14 159</td>
<td></td>
</tr>
<tr>
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<td>38 280</td>
<td>53 349</td>
<td>44 394</td>
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<td>44 394</td>
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<tr>
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<td>53 349</td>
<td>16 029</td>
<td></td>
<td>16 029</td>
<td>4 531</td>
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<tr>
<td>15 069</td>
<td>38 280</td>
<td>53 349</td>
<td>542 801</td>
<td></td>
<td>542 801</td>
<td>560 612</td>
<td></td>
</tr>
<tr>
<td>15 069</td>
<td>38 280</td>
<td>53 349</td>
<td>107 810</td>
<td>11 824</td>
<td>119 634</td>
<td>125 684</td>
<td></td>
</tr>
<tr>
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<td>38 280</td>
<td>53 349</td>
<td>6 857</td>
<td>6 097</td>
<td>12 954</td>
<td>12 954</td>
<td></td>
</tr>
<tr>
<td>15 069</td>
<td>38 280</td>
<td>53 349</td>
<td>717 891</td>
<td></td>
<td>735 812</td>
<td>872 498</td>
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</tr>
</tbody>
</table>

### Amortised cost

<table>
<thead>
<tr>
<th>Designated as available-for-sale</th>
<th>Hedged items</th>
<th>Total</th>
<th>Designated at amortised cost</th>
<th>Hedged items</th>
<th>Total</th>
<th>Assets/liabilities outside the scope of IAS 39</th>
<th>Total assets and liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm</td>
<td>Rm</td>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>11 554</td>
<td>39 920</td>
<td>51 474</td>
<td>21 398</td>
<td></td>
<td>21 398</td>
<td>70 295</td>
<td></td>
</tr>
<tr>
<td>11 554</td>
<td>39 920</td>
<td>51 474</td>
<td>25 710</td>
<td></td>
<td>25 710</td>
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</tr>
<tr>
<td>11 554</td>
<td>39 920</td>
<td>51 474</td>
<td>542 801</td>
<td></td>
<td>542 801</td>
<td>560 612</td>
<td></td>
</tr>
<tr>
<td>11 554</td>
<td>39 920</td>
<td>51 474</td>
<td>107 810</td>
<td>11 824</td>
<td>119 634</td>
<td>125 684</td>
<td></td>
</tr>
<tr>
<td>11 554</td>
<td>39 920</td>
<td>51 474</td>
<td>6 857</td>
<td>6 097</td>
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<td>12 954</td>
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</tr>
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<td>51 474</td>
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<td></td>
<td>18 109</td>
<td>11 221</td>
<td></td>
</tr>
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<td>51 474</td>
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<td>3 622</td>
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<td>11 554</td>
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<td>51 474</td>
<td>44 155</td>
<td></td>
<td>44 155</td>
<td>75 691</td>
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</table>

### 2014

<table>
<thead>
<tr>
<th>Designated as available-for-sale</th>
<th>Hedged items</th>
<th>Total</th>
<th>Designated at amortised cost</th>
<th>Hedged items</th>
<th>Total</th>
<th>Assets/liabilities outside the scope of IAS 39</th>
<th>Total assets and liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm</td>
<td>Rm</td>
<td></td>
<td>Rm</td>
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<td>51 474</td>
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<td></td>
<td>21 398</td>
<td>70 295</td>
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</tr>
<tr>
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<td>39 920</td>
<td>51 474</td>
<td>25 710</td>
<td></td>
<td>25 710</td>
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<td></td>
<td>542 801</td>
<td>560 612</td>
<td></td>
</tr>
<tr>
<td>11 554</td>
<td>39 920</td>
<td>51 474</td>
<td>107 810</td>
<td>11 824</td>
<td>119 634</td>
<td>125 684</td>
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</tr>
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<td>39 920</td>
<td>51 474</td>
<td>6 857</td>
<td>6 097</td>
<td>12 954</td>
<td>12 954</td>
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</tr>
<tr>
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<td>18 109</td>
<td></td>
<td>18 109</td>
<td>11 221</td>
<td></td>
</tr>
<tr>
<td>11 554</td>
<td>39 920</td>
<td>51 474</td>
<td>3 622</td>
<td></td>
<td>3 622</td>
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<td>11 554</td>
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<td>51 474</td>
<td>44 155</td>
<td></td>
<td>44 155</td>
<td>75 691</td>
<td></td>
</tr>
</tbody>
</table>
### 46. Fair value disclosures

#### 46.1 Assets and liabilities held at fair value

The table below shows the Company’s assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety.

<table>
<thead>
<tr>
<th>Company</th>
<th>Recurring fair value measurements</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>—</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td>Investment securities</td>
<td>45 840</td>
<td>25 254</td>
<td>1 285</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>—</td>
<td>22 219</td>
<td>2 109</td>
</tr>
<tr>
<td>Trading and hedging portfolio assets</td>
<td>20 083</td>
<td>95 168</td>
<td>1 415</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>18 674</td>
<td>7 957</td>
<td>897</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>—</td>
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<td>518</td>
</tr>
<tr>
<td>Commodity derivatives</td>
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<td>223</td>
<td>—</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>—</td>
<td>885</td>
<td>23</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>—</td>
<td>2 118</td>
<td>43</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>—</td>
<td>26 996</td>
<td>—</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>—</td>
<td>49 013</td>
<td>452</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>1 409</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Money market assets</td>
<td>—</td>
<td>7 976</td>
<td>—</td>
</tr>
<tr>
<td>Other assets</td>
<td>—</td>
<td>17</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>3</td>
<td>21 909</td>
<td>6 925</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>65 926</td>
<td>164 551</td>
<td>11 751</td>
</tr>
</tbody>
</table>

| **Financial liabilities** | | | | | | | | |
| Deposits from banks | — | 16 625 | 7 | 16 632 | — | 19 609 | — | 19 609 |
| Trading and hedging portfolio liabilities | 1 242 | 90 640 | 216 | 92 098 | 2 795 | 44 042 | 320 | 47 157 |
| Derivative liabilities | — | 90 640 | 216 | 90 856 | — | 44 042 | 320 | 44 362 |
| Commodity derivatives | — | 440 | — | 440 | — | 308 | — | 308 |
| Credit derivatives | — | 879 | 14 | 893 | — | 324 | 39 | 363 |
| Equity derivatives | — | 3 765 | 57 | 3 822 | — | 1 296 | 198 | 1 494 |
| Foreign exchange derivatives | — | 28 193 | — | 28 193 | — | 9 931 | 7 | 9 938 |
| Interest rate derivatives | — | 57 360 | 145 | 57 505 | — | 32 183 | 76 | 32 259 |
| Short positions | 1 242 | — | — | 1 242 | 2 795 | — | — | 2 795 |
| Deposits due to customers | 110 | 15 144 | 2 557 | 17 811 | 80 | 13 607 | 5 530 | 19 217 |
| Debt securities in issue | 2 | 5 421 | 624 | 6 047 | 2 | 4 941 | 42 | 4 985 |
| **Total financial liabilities** | 1 354 | 127 830 | 3 404 | 132 588 | 2 877 | 82 199 | 5 892 | 90 968 |

| **Non-financial assets** | | | | | | | | |
| Commodity derivatives | 2 005 | — | — | 2 005 | 1 700 | — | — | 1 700 |

| **Non-recurring fair value measurements** | | | | | | | | |
| Non-current assets held for sale | — | — | 109 | 109 | — | — | 250 | 250 |
46. Fair value disclosures

46.1 Assets and liabilities held at fair value

The table below shows the Company's assets and liabilities that are recognised and subsequently measured at fair value and are analysed by valuation techniques. The classification of assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety.

<table>
<thead>
<tr>
<th>Company</th>
<th>2015</th>
<th>2014</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>—</td>
<td>1</td>
<td>—</td>
<td>1</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Investment securities</td>
<td>45 840</td>
<td>25 254</td>
<td>1 285</td>
<td>72 379</td>
<td></td>
<td>70 295</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>—</td>
<td>22 219</td>
<td>2 109</td>
<td>24 328</td>
<td></td>
<td>20 523</td>
</tr>
<tr>
<td>Trading and hedging portfolio assets</td>
<td>20 083</td>
<td>95 168</td>
<td>1 415</td>
<td>116 666</td>
<td></td>
<td>116 666</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>18 674</td>
<td>7 957</td>
<td>897</td>
<td>27 528</td>
<td></td>
<td>27 528</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>—</td>
<td>79 235</td>
<td>518</td>
<td>79 753</td>
<td></td>
<td>79 753</td>
</tr>
<tr>
<td>Commodity derivatives</td>
<td>—</td>
<td>223</td>
<td>—</td>
<td>223</td>
<td></td>
<td>223</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>—</td>
<td>885</td>
<td>23 908</td>
<td></td>
<td></td>
<td>24 793</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>—</td>
<td>2 118</td>
<td>43 2</td>
<td>2 161</td>
<td></td>
<td>2 161</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>—</td>
<td>26 996</td>
<td>—</td>
<td>26 996</td>
<td></td>
<td>26 996</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>—</td>
<td>49 013</td>
<td>452</td>
<td>49 465</td>
<td></td>
<td>49 465</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>1 409</td>
<td>—</td>
<td>—</td>
<td>1 409</td>
<td></td>
<td>1 409</td>
</tr>
<tr>
<td>Money market assets</td>
<td>—</td>
<td>7 976</td>
<td>—</td>
<td>7 976</td>
<td></td>
<td>7 976</td>
</tr>
<tr>
<td>Other assets</td>
<td>—</td>
<td>—</td>
<td>17 17</td>
<td></td>
<td></td>
<td>17 17</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>3 21</td>
<td>909</td>
<td>6 925</td>
<td>28 837</td>
<td></td>
<td>28 837</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>65 926</td>
<td>164 551</td>
<td>11 751</td>
<td>242 228</td>
<td></td>
<td>242 228</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>—</td>
<td>16 625</td>
<td>7</td>
<td>16 632</td>
<td></td>
<td>16 632</td>
</tr>
<tr>
<td>Trading and hedging portfolio liabilities</td>
<td>1 242</td>
<td>90 640</td>
<td>216</td>
<td>92 098</td>
<td></td>
<td>92 098</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>—</td>
<td>90 640</td>
<td>216</td>
<td>90 856</td>
<td></td>
<td>90 856</td>
</tr>
<tr>
<td>Commodity derivatives</td>
<td>—</td>
<td>440</td>
<td>—</td>
<td>440</td>
<td></td>
<td>440</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>—</td>
<td>879</td>
<td>14 893</td>
<td></td>
<td></td>
<td>15 772</td>
</tr>
<tr>
<td>Equity derivatives</td>
<td>—</td>
<td>3 768</td>
<td>57 57</td>
<td>3 825</td>
<td></td>
<td>3 825</td>
</tr>
<tr>
<td>Foreign exchange derivatives</td>
<td>—</td>
<td>28 193</td>
<td>—</td>
<td>28 193</td>
<td></td>
<td>28 193</td>
</tr>
<tr>
<td>Interest rate derivatives</td>
<td>—</td>
<td>57 360</td>
<td>145</td>
<td>57 505</td>
<td></td>
<td>57 505</td>
</tr>
<tr>
<td>Short positions</td>
<td>1 242</td>
<td>—</td>
<td>—</td>
<td>1 242</td>
<td></td>
<td>1 242</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>1 354</td>
<td>127 830</td>
<td>3 404</td>
<td>132 588</td>
<td></td>
<td>132 588</td>
</tr>
<tr>
<td>Non-financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity derivatives</td>
<td>2 005</td>
<td>—</td>
<td>—</td>
<td>2 005</td>
<td></td>
<td>2 005</td>
</tr>
<tr>
<td>Non-recurring fair value measurements</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Non-current assets held for sale</td>
<td>—</td>
<td>—</td>
<td>109</td>
<td>109</td>
<td></td>
<td>109</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
46. **Fair value disclosures (continued)**

46.2 **Reconciliation of Level 3 assets and liabilities**

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets and liabilities is set out below:

<table>
<thead>
<tr>
<th>Company</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading and hedging portfolio assets Rm</strong></td>
<td><strong>Other assets Rm</strong></td>
<td><strong>Loans and advances to customers Rm</strong></td>
</tr>
<tr>
<td>Opening balance at the beginning of the reporting period</td>
<td>1 151</td>
<td>17</td>
</tr>
<tr>
<td>Net interest income</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other income</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gains and losses from banking and trading activities</td>
<td>332</td>
<td>—</td>
</tr>
<tr>
<td>Gains and losses from investment activities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchases</td>
<td>15</td>
<td>—</td>
</tr>
<tr>
<td>Sales</td>
<td>(83)</td>
<td>—</td>
</tr>
<tr>
<td>Movement in other comprehensive income</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issues</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Settlements</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Transferred to/(from) assets/liabilities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Movement in/(out of) Level 3</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Closing balance at the end of the reporting period</td>
<td>1 415</td>
<td>17</td>
</tr>
</tbody>
</table>

46.2.1 **Significant transfers between levels**

During the prior reporting period, it was determined that significant transfers between levels of the assets and liabilities held at fair value occurred. Treasury bills of R18,5bn were transferred from Level 1 to Level 2, as these are held in an inactive market (2015: Nil).

Transfers out of Level 3 and into Level 2 arise where unobservable inputs become observable and/or unobservable inputs are no longer considered to be significant to the valuation of an instrument.

Transfers have been reflected as if they had taken place at the beginning of the year.
### 46. Fair value disclosures

#### 46.2 Reconciliation of Level 3 assets and liabilities

A reconciliation of the opening balances to closing balances for all movements on Level 3 assets and liabilities is set out below:

<table>
<thead>
<tr>
<th>Company</th>
<th>Investment securities</th>
<th>Total assets at fair value</th>
<th>Deposits from banks</th>
<th>Deposits due to customers</th>
<th>Debt securities in issue</th>
<th>Total liabilities at fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>2 301</td>
<td>7 614</td>
<td>—</td>
<td>320</td>
<td>5 530</td>
<td>42</td>
<td>5 892</td>
</tr>
<tr>
<td>78</td>
<td>527</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>—</td>
<td>—</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>332</td>
<td>—</td>
<td>(21)</td>
<td>—</td>
<td>—</td>
<td>(21)</td>
</tr>
<tr>
<td>13</td>
<td>(5)</td>
<td>—</td>
<td>—</td>
<td>132</td>
<td>172</td>
<td>304</td>
</tr>
<tr>
<td>14</td>
<td>7 264</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(1 156)</td>
<td>(4 016)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>7</td>
<td>—</td>
<td>3 112</td>
<td>410</td>
<td>3 529</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(83)</td>
<td>(3 265)</td>
<td>—</td>
<td>(3 348)</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2 952)</td>
<td>—</td>
<td>(2 952)</td>
</tr>
<tr>
<td>1 285</td>
<td>11 751</td>
<td>7</td>
<td>216</td>
<td>2 557</td>
<td>624</td>
<td>3 404</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company</th>
<th>Investment securities</th>
<th>Total assets at fair value</th>
<th>Deposits from banks</th>
<th>Deposits due to customers</th>
<th>Debt securities in issue</th>
<th>Total liabilities at fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>2 313</td>
<td>9 058</td>
<td>—</td>
<td>542</td>
<td>7 138</td>
<td>35</td>
<td>7 715</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>—</td>
<td>(8)</td>
<td>—</td>
<td>—</td>
<td>(8)</td>
</tr>
<tr>
<td>69</td>
<td>406</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>(7)</td>
<td>137</td>
<td>—</td>
<td>(62)</td>
<td>(1 501)</td>
<td>6</td>
<td>(1 557)</td>
</tr>
<tr>
<td>(83)</td>
<td>(81)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>9</td>
<td>152</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(9)</td>
<td>(666)</td>
<td>—</td>
<td>(75)</td>
<td>—</td>
<td>—</td>
<td>(75)</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(1 377)</td>
<td>(18)</td>
<td>—</td>
<td>(77)</td>
<td>(27)</td>
<td>—</td>
<td>(104)</td>
</tr>
<tr>
<td>2 301</td>
<td>7 614</td>
<td>—</td>
<td>320</td>
<td>5 530</td>
<td>42</td>
<td>5 892</td>
</tr>
</tbody>
</table>

#### 46.2.1 Significant transfers between levels

During the prior reporting period, it was determined that significant transfers between levels of the assets and liabilities held at fair value occurred. Treasury bills of R18.5bn were transferred from Level 1 to Level 2, as these are held in an inactive market (2015: Nil).

Transfers out of Level 3 and into Level 2 arise where unobservable inputs become observable and/or unobservable inputs are no longer considered to be significant to the valuation of an instrument.

Transfers have been reflected as if they had taken place at the beginning of the year.
46. Fair value disclosures (continued)

46.3 Unrealised gains and losses on Level 3 assets and liabilities

The total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains and losses from</td>
<td>96</td>
<td>—</td>
<td>(28)</td>
<td>48</td>
<td>—</td>
<td>—</td>
<td>116</td>
</tr>
<tr>
<td>banking and trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains and losses from</td>
<td>79</td>
<td>—</td>
<td>(28)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>51</td>
</tr>
<tr>
<td>banking and trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

46.4 Sensitivity analysis of valuations using unobservable inputs

As part of the Company’s risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The assets and liabilities that most impact this sensitivity analysis are those within the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations.
46. Fair value disclosures (continued)

46.4 Sensitivity analysis of valuations using unobservable inputs (continued)

The following table reflects how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 financial assets and liabilities:

<table>
<thead>
<tr>
<th>Significant unobservable parameter</th>
<th>Positive/(negative) variance applied to parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit spreads</td>
<td>100/(100) bps</td>
</tr>
<tr>
<td>Volatilities</td>
<td>10/(10)%</td>
</tr>
<tr>
<td>Basis curves</td>
<td>100/(100) bps</td>
</tr>
<tr>
<td>Yield curves and repo curves</td>
<td>100/(100) bps</td>
</tr>
<tr>
<td>Future earnings and marketability discounts</td>
<td>15/(15)%</td>
</tr>
<tr>
<td>Funding spreads</td>
<td>100/(100) bps</td>
</tr>
</tbody>
</table>

A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value asset or liability of more than 10% of the underlying value of the affected item. This is demonstrated by the following sensitivity analysis which includes reasonable ranges of possible outcomes:

<table>
<thead>
<tr>
<th>Significant unobservable parameters</th>
<th>2015 Potential effect recorded in profit or loss</th>
<th>Potential effect recorded directly in equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Favourable/(Unfavourable) Rm</td>
<td>Favourable/(Unfavourable) Rm</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>Bank of Africa/Leeu stallings (BAGL/Absa funding spread)</td>
<td>---/---</td>
</tr>
<tr>
<td>Investment securities</td>
<td>Yield curves, future earnings and</td>
<td>235/246</td>
</tr>
<tr>
<td></td>
<td>marketability discount, comparator multiples</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>Credit spreads</td>
<td>---/---</td>
</tr>
<tr>
<td>Other assets</td>
<td>Volatility, credit spreads</td>
<td>---/---</td>
</tr>
<tr>
<td>Trading and hedging portfolio assets</td>
<td>Volatility, credit spreads, basis curves,</td>
<td>107/107</td>
</tr>
<tr>
<td></td>
<td>yield curves, repo curves, funding spreads</td>
<td></td>
</tr>
<tr>
<td>Trading and hedging portfolio liabilities</td>
<td>Volatility, credit spreads, basis curves,</td>
<td>15/15</td>
</tr>
<tr>
<td></td>
<td>yield curves, repo curves, funding spreads</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>Volatility, credit spreads</td>
<td>---/---</td>
</tr>
<tr>
<td></td>
<td></td>
<td>357/368</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Significant unobservable parameters</th>
<th>2014 Potential effect recorded in profit or loss</th>
<th>Potential effect recorded directly in equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Favourable/(Unfavourable) Rm</td>
<td>Favourable/(Unfavourable) Rm</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>Bank of Africa/Leeu stallings (BAGL/Absa funding spread)</td>
<td>---/---</td>
</tr>
<tr>
<td>Investment securities</td>
<td>Yield curves, future earnings and</td>
<td>1 037/23</td>
</tr>
<tr>
<td></td>
<td>marketability discount, comparator multiples</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>Credit spreads</td>
<td>1 037/23</td>
</tr>
<tr>
<td>Other assets</td>
<td>Volatility, credit spreads</td>
<td>3/3</td>
</tr>
<tr>
<td>Trading and hedging portfolio assets</td>
<td>Volatility, credit spreads, basis curves,</td>
<td>---/---</td>
</tr>
<tr>
<td></td>
<td>yield curves, repo curves, funding spreads</td>
<td></td>
</tr>
<tr>
<td>Trading and hedging portfolio liabilities</td>
<td>Volatility, credit spreads, basis curves,</td>
<td>34/34</td>
</tr>
<tr>
<td></td>
<td>yield curves, repo curves, funding spreads</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 205/191</td>
</tr>
</tbody>
</table>

46.5 Unrecognised (losses)/gains as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in the statement of comprehensive income that relates to the difference between the transaction price and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Opening balance at the beginning of the reporting period</td>
<td>(52)</td>
<td>(55)</td>
</tr>
<tr>
<td>New transactions</td>
<td>(91)</td>
<td>(23)</td>
</tr>
<tr>
<td>Amounts recognised in profit or loss during the reporting period</td>
<td>38</td>
<td>26</td>
</tr>
<tr>
<td>Closing balance at the end of the reporting period</td>
<td>(105)</td>
<td>(52)</td>
</tr>
</tbody>
</table>
46. Fair value disclosures (continued)

46.6 Third-party credit enhancements

There were no significant liabilities measured at fair value and issued with inseparable third-party credit enhancements during the current and prior year.

46.7 Assets and liabilities not held at fair value

The table below summarises the carrying amounts and fair values of those assets and liabilities not held at fair value:

<table>
<thead>
<tr>
<th>Company</th>
<th>Carrying value</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances with the SARB</td>
<td>17 459</td>
<td>17 459</td>
<td>17 459</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Coins and bank notes</td>
<td>8 608</td>
<td>8 608</td>
<td>8 608</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash, cash balances and balances with central banks</td>
<td>26 067</td>
<td>26 067</td>
<td>26 067</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>32 681</td>
<td>32 681</td>
<td>1 504</td>
<td>30 560</td>
<td>617</td>
</tr>
<tr>
<td>Other assets</td>
<td>17 264</td>
<td>17 264</td>
<td>12 758</td>
<td>2 997</td>
<td>1 509</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>359 450</td>
<td>358 420</td>
<td>—</td>
<td>—</td>
<td>358 420</td>
</tr>
<tr>
<td>Credit cards</td>
<td>29 514</td>
<td>29 514</td>
<td>—</td>
<td>—</td>
<td>29 514</td>
</tr>
<tr>
<td>Installment credit agreements</td>
<td>70 014</td>
<td>68 952</td>
<td>—</td>
<td>—</td>
<td>68 952</td>
</tr>
<tr>
<td>Loans to associates and joint ventures</td>
<td>16 176</td>
<td>16 176</td>
<td>—</td>
<td>—</td>
<td>16 176</td>
</tr>
<tr>
<td>Mortgages</td>
<td>225 424</td>
<td>225 434</td>
<td>—</td>
<td>—</td>
<td>225 434</td>
</tr>
<tr>
<td>Other loans and advances</td>
<td>343</td>
<td>343</td>
<td>—</td>
<td>—</td>
<td>343</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>2 819</td>
<td>2 819</td>
<td>—</td>
<td>—</td>
<td>2 819</td>
</tr>
<tr>
<td>Personal and term loans</td>
<td>15 160</td>
<td>15 182</td>
<td>—</td>
<td>—</td>
<td>15 182</td>
</tr>
<tr>
<td>Business Banking</td>
<td>63 434</td>
<td>63 462</td>
<td>1 093</td>
<td>—</td>
<td>62 369</td>
</tr>
<tr>
<td>Mortgages (including CPF)</td>
<td>30 730</td>
<td>30 742</td>
<td>—</td>
<td>—</td>
<td>30 742</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>18 159</td>
<td>18 175</td>
<td>1 093</td>
<td>—</td>
<td>17 082</td>
</tr>
<tr>
<td>Term loans</td>
<td>14 523</td>
<td>14 523</td>
<td>—</td>
<td>—</td>
<td>14 523</td>
</tr>
<tr>
<td>RBB Rest of Africa</td>
<td>22</td>
<td>22</td>
<td>—</td>
<td>—</td>
<td>22</td>
</tr>
<tr>
<td>CIB</td>
<td>140 538</td>
<td>140 538</td>
<td>21 013</td>
<td>34 913</td>
<td>84 612</td>
</tr>
<tr>
<td>Wealth</td>
<td>5 350</td>
<td>5 350</td>
<td>—</td>
<td>—</td>
<td>5 350</td>
</tr>
<tr>
<td>Head Office and other operations</td>
<td>696</td>
<td>696</td>
<td>—</td>
<td>449</td>
<td>247</td>
</tr>
<tr>
<td>Loans and advances to customers net of impairments</td>
<td>569 468</td>
<td>568 466</td>
<td>22 106</td>
<td>35 362</td>
<td>510 998</td>
</tr>
<tr>
<td>Loans to Group companies</td>
<td>25 909</td>
<td>26 016</td>
<td>—</td>
<td>26 016</td>
<td>—</td>
</tr>
<tr>
<td>Total assets</td>
<td>671 389</td>
<td>670 494</td>
<td>62 435</td>
<td>94 935</td>
<td>513 124</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>44 394</td>
<td>44 394</td>
<td>7 233</td>
<td>36 828</td>
<td>333</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>16 029</td>
<td>15 934</td>
<td>6 664</td>
<td>7 734</td>
<td>1 536</td>
</tr>
<tr>
<td>Call deposits</td>
<td>72 153</td>
<td>72 153</td>
<td>68 991</td>
<td>3 162</td>
<td>—</td>
</tr>
<tr>
<td>Cheque account deposits</td>
<td>151 350</td>
<td>151 350</td>
<td>151 348</td>
<td>2</td>
<td>—</td>
</tr>
<tr>
<td>Credit card deposits</td>
<td>2 002</td>
<td>2 002</td>
<td>2 002</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fixed deposits</td>
<td>118 279</td>
<td>118 390</td>
<td>465</td>
<td>117 915</td>
<td>10</td>
</tr>
<tr>
<td>Foreign currency deposits</td>
<td>26 168</td>
<td>26 168</td>
<td>465</td>
<td>25 703</td>
<td>—</td>
</tr>
<tr>
<td>Notice deposits</td>
<td>48 954</td>
<td>48 963</td>
<td>1 376</td>
<td>47 587</td>
<td>—</td>
</tr>
<tr>
<td>Other deposits</td>
<td>1 373</td>
<td>1 373</td>
<td>1 194</td>
<td>179</td>
<td>—</td>
</tr>
<tr>
<td>Saving and transmission deposits</td>
<td>122 522</td>
<td>122 522</td>
<td>120 899</td>
<td>1 623</td>
<td>—</td>
</tr>
<tr>
<td>Deposits due to customers</td>
<td>542 801</td>
<td>542 921</td>
<td>346 740</td>
<td>196 171</td>
<td>10</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>119 634</td>
<td>117 057</td>
<td>157</td>
<td>116 900</td>
<td>—</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>12 954</td>
<td>13 323</td>
<td>—</td>
<td>13 323</td>
<td>—</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>735 812</td>
<td>733 629</td>
<td>360 794</td>
<td>370 956</td>
<td>1 879</td>
</tr>
</tbody>
</table>
## Notes to the Company financial statements
for the reporting period ended 31 December

### 46. Fair value disclosures (continued)

#### 46.7 Assets and liabilities not held at fair value (continued)

<table>
<thead>
<tr>
<th>Carrying value</th>
<th>Fair value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances with the SARB</td>
<td>12 621</td>
<td>12 621</td>
<td>12 621</td>
<td>—</td>
</tr>
<tr>
<td>Coins and bank notes</td>
<td>8 777</td>
<td>8 777</td>
<td>8 777</td>
<td>—</td>
</tr>
<tr>
<td><strong>Cash, cash balances and balances with central banks</strong></td>
<td>21 398</td>
<td>21 398</td>
<td>21 398</td>
<td>—</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>25 710</td>
<td>25 655</td>
<td>3 710</td>
<td>21 238</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td>7 870</td>
<td>8 159</td>
<td>4 284</td>
<td>3 515</td>
</tr>
</tbody>
</table>

#### Retail Banking
- Credit cards: 29 338, 29 338, 29 338, 29 338
- Installment credit agreements: 68 730, 68 167, 68 167
- Loans to associates and joint ventures: 13 012, 13 012, 13 012
- Mortgages: 225 488, 225 531, 225 531
- Other loans and advances: 404, 404, 404
- Overdrafts: 2 254, 2 254, 2 254
- Personal and term loans: 13 985, 14 076, 14 076

#### Business Banking
- Mortgages (including CPF): 30 161, 30 157, 30 157
- Overdrafts: 18 148, 18 128, 18 128
- Term loans: 12 619, 12 641, 12 641
- CIB: 123 244, 122 684, 122 684
- Wealth: 5 234, 5 234, 5 234
- Head Office and other operations: 901, 901, 492

#### Loans and advances to customers net of impairments
- 543 518, 542 527, 10 085, 31 658, 32 469

#### Loans to Group companies
- 18 109, 22 131, 21 738, 393

#### Total assets
- 616 605, 619 870, 39 311, 78 258, 502 301

#### Financial liabilities

#### Deposits from banks
- 34 495, 35 834, 11 925, 23 905, 4
- 10 904, 10 911, 5 621, 5 182, 108

#### Other liabilities
- 57 007, 57 007, 54 547, 2 460, —
- 146 651, 146 651, 146 651, —, —
- 1 932, 1 932, 1 932, —, —
- 114 647, 115 371, 826, 114 521, 24
- 21 723, 21 723, 354, 21 369, —
- 49 764, 49 843, 1 298, 48 514, 31
- 1 775, 1 775, 737, 926, 112
- 502 255, 503 154, 315 197, 187 790, 167
- 99 735, 100 100, 3, 100 097, —
- 10 535, 10 885, —, 10 885, —

#### Total liabilities
- 658 020, 660 884, 332 746, 327 859, 279

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Note

1. These numbers have been restated, refer to note 1.19.
Notes to the Company financial statements
for the reporting period ended 31 December

47. Derivatives
Refer to note 52 of the Bank’s financial statements.

48. Acquisitions and disposals of businesses and other similar transactions
48.1 Acquisitions and disposals of businesses during the current reporting period
There were no acquisitions or disposals of businesses during the current reporting period.

48.2 Acquisitions and disposals of businesses during the previous reporting period
There were no acquisitions or disposals of businesses during the previous reporting period.

49. Retirement benefit fund obligations
Refer to note 37 in the Bank’s financial statements.

50. Securities borrowed/lent and repurchase/reverse repurchase agreements
Refer to note 39 in the Bank’s financial statements.

51. Offsetting financial assets and financial liabilities
Refer to note 41 in the Bank’s financial statements.

52. Structured entities
Refer to note 43 in the Bank’s financial statements.

53. Share-based payments
Refer to note 49 in the Bank’s financial statements.

54. Segment report
Refer to note 51 in the Bank’s financial statements.

55. Credit risk of financial instruments designated at fair value
Refer to note 55 in the Bank’s financial statements.

56. Risk management
The financial risks inherent within the Bank are considered to be substantially the same for the Company and consolidated level. Refer to note 56 in the Bank’s financial statements for detailed risk management disclosures.

57. Going concern
The directors assess the Company’s future performance and financial position on an ongoing basis and have no reason to believe the Company will not be a going concern in the year ahead. For this reason, these stand-alone financial statements are prepared on a going concern basis.

58. Events after the reporting period
The directors are not aware of any events after the reporting date of 31 December 2015 and the date of authorisation of these stand-alone financial statements (as defined per IAS 10 Events After The Reporting Period (IAS 10)).
Absa Bank Limited
Incorporated in the Republic of South Africa
Registration number: 1986/004794/06
Authorised financial services and registered credit provider (NCRCP7)
JSE share code: ABSP and ABMN
ISIN: ZAE000079810

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Please direct queries relating to your Barclays Africa Bank shares to
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groupsec@barclaysafrica.com

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